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STATISTICAL BULLETIN

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THE CONFERENCE BOARD

STATISTICAL REFERENCE INDEX
ACQUISITIONS
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comment

The pace of economic activity remains sluggish, but it is still strong enough to suggest that the economy is not now in a recession. Retail sales, adjusted for inflation, improved a little in January. Business investment continues to be the most robust sector of the economy, as indicated in the latest data from The Conference Board's *Capital Appropriations and Expenditures* survey. Both industrial production and capacity utilization were slightly higher in February than in January. And the *Economic Forecasts*, in general, no longer point to a recession beginning in the early part of the year. However, the focus of attention has shifted away from the expected path of real activity and toward the inflationary spiral.

The rate of inflation, as measured by the implicit price deflator for GNP, reached a seasonally adjusted 9% annual rate in the fourth quarter of 1979. (The accompanying chart shows that consumer prices rose by 13.6% in that period.) The general view expressed in the *Economic Forecasts* last November showed an expectation that the deflator's rise would slow to about 8% in the first quarter of 1980, as the economy moved into a recession. That, however, has not happened. The pace of activity is stronger and inflation, rather than beginning to slow, has accelerated.

The recent turn of events has dictated a complete new review of monetary and fiscal policy. In November, 1978, in October, 1979, and as recently as January, 1980, economic policy was reviewed with the express objective of unwinding inflation, even at the expense of lower economic growth. A tight-money and high-interest-rate policy was announced in November, 1978. Interest rates had been hiked in October, 1979, and it was announced that policy henceforth would pay closer attention to the supply of money and less to its price (interest rates). Then, in January, 1980, interest rates were raised once more and the proposed federal budget for fiscal 1981 was released. Its economic impact, as indicated on the *Fiscal Thrust* chart, was not expected to be stimulative although, at the time of its proposal, a recession was generally expected to occur. Now, the budget proposal is being extensively revised to trim the deficit, that is, to be even less stimulative. In addition to these policy considerations, voluntary wage and price guidelines have been in effect since November, 1978.

In mid-March, it was announced that the voluntary wage and price guidelines would be strengthened. Further, an import fee was placed on oil. This would immediately add to inflation, but by trimming gasoline consumption would eventually help to reduce it. Also, credit controls have been added to the voluntary wage and price controls. These steps are in addition to the proposed budget review, and still further interest rate hikes. Finally, in recognition of the fact that the inflationary spiral took a long time to develop into its current troublesome condition, some steps were proposed that would help correct it—but only in the long term.

Inflation can be considered a condition of too many dollars chasing too few goods. There are a multitude of factors that result in inflation. But these factors can be categorized as either restraints on production or incentives leading to excessive demand. Cures of inflation can likewise be categorized as measures either to limit demand or to stimulate production. The gasoline tax, trimming the budget, raising interest rates, and placing restraints on credit expansion are all attempts to limit demand.

Ken Goldstein, Editor
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Inflation, however, also results from external pressures. Specifically, the increases in oil prices have led some to label the current condition "oil-flation." That part of the inflation due to external pressures will not be dissipated by either a slowdown of economic activity or by the effects of monetary or fiscal policy. Indeed, one reason why the inflationary spiral is proving so difficult to unwind lies in the extent to which the domestic economy is exposed to external influences.

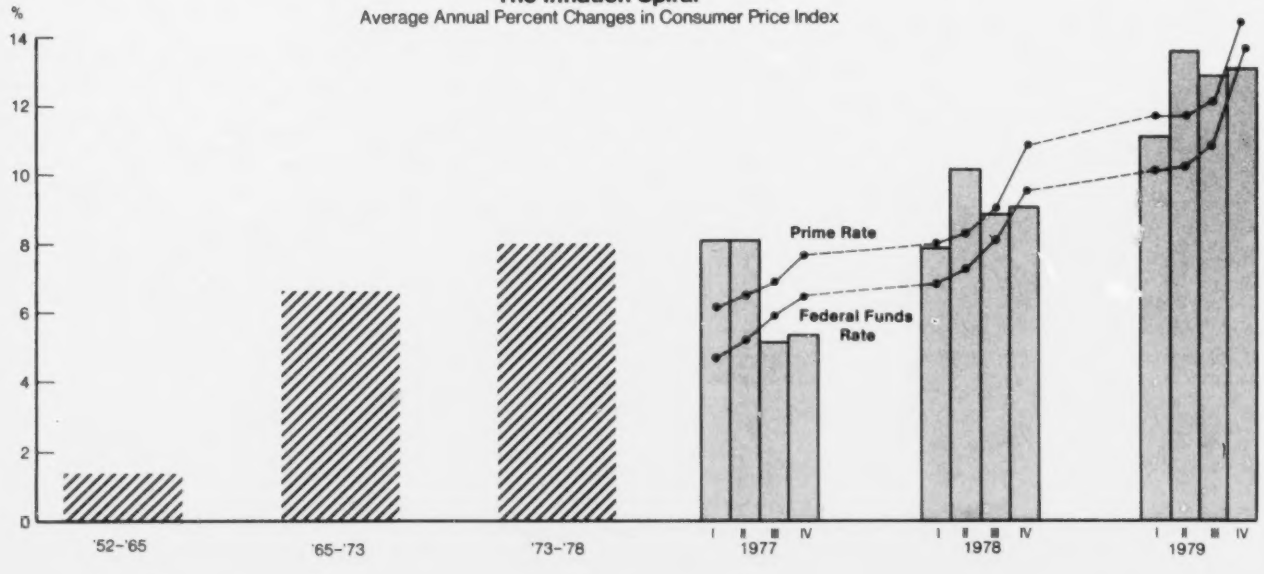
Even before these latest developments none of the *Economic Forecasts* was indicating that the pace of activity would be anything more than sluggish in the first half of 1980. That is to say, that the economy appeared on a collision course—a collision between declining growth in real output and accelerating increases in the prices of that output. The dilemma this condition poses with regard to economic policy formulation is that actions taken to rein in inflation will surely result in slowing the pace of business. Housing starts, one of the weakest sectors of the economy at the moment, will no doubt weaken further as the hikes in the newly split discount rate affect mortgage rates. Conversely, business investment, one of the strongest segments of activity, will undoubtedly lose some strength as the higher interest rates raise the cost of financing new plant and equipment spending.

Likewise, the cost of carrying inventory will rise. The chance, then, that any decline in consumer buying would result in production cutbacks has certainly risen. Although the unemployent rate dropped to 6% in February, The Conference Board's *Help-wanted Index* continued to decline through January. Want-ad volume has been trending downward for some months, indicating reduced efforts to attract new workers. Recent developments only strengthen the case that employment opportunities are indeed diminishing.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index

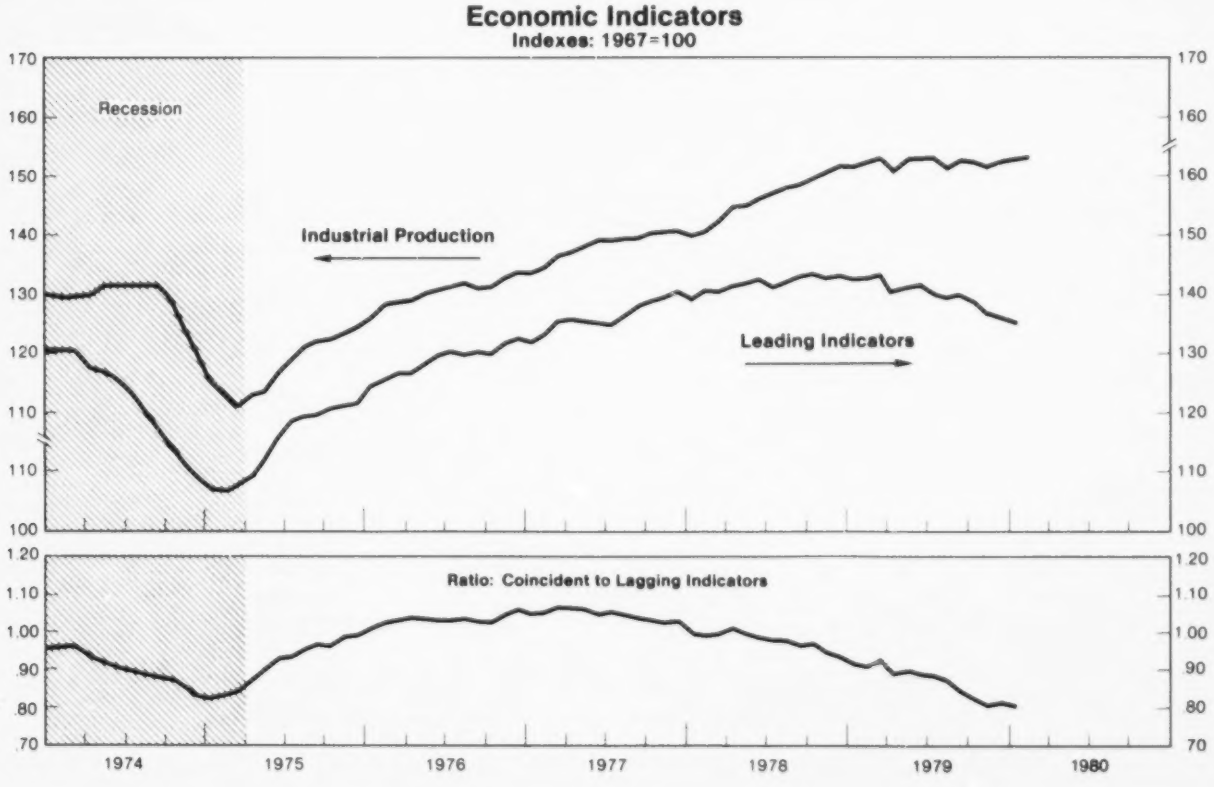


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.			X	— 2.8%	— 5.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.	X			7.8%	— 6.1%
New orders, nondefense capital goods (deflated)	Jan.	X			7.6%	0.4%
*Net business formation	Nov.		X		0.8%	— 1.7%
*Housing permits	Jan.			X	—18.1%	—12.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.		X		— 1.1%	— 9.9%
*Change in inventory, on hand & order (deflated)	Dec.			X	—15.5%	—26.7%
Purchasing agents' buying policy	Feb.		X		— 3.0%	— 7.0%
*Vendor performance, reported slower deliveries	Jan.			X	— 4.0%	—30.0%
Industrial raw materials prices	Feb.	X			5.0%	17.5%
*Change in sensitive prices	Jan.	X			0.3%	1.0%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Jan.			X	— 2.4%	— 4.6%
Change in business loans	Jan.	X			52.0%	29.3%
*Change in liquid assets	Jan.			X	— 0.4%	— 0.4%
Change in consumer installment debt	Dec.			X	—34.8%	—34.2%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q	X			3.8%	9.0%
*Common stock prices	Feb.	X			13.1%	19.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.		X		0.2hr	— 0.3hr
Initial unemployment claims (inverted)	Jan.			X	— 0.2%	—17.1%
*Layoff rate, mfg. (inverted)	Jan.		X		0.2%	0.4%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page VI

*These twelve series make up the composite leading index charted below.



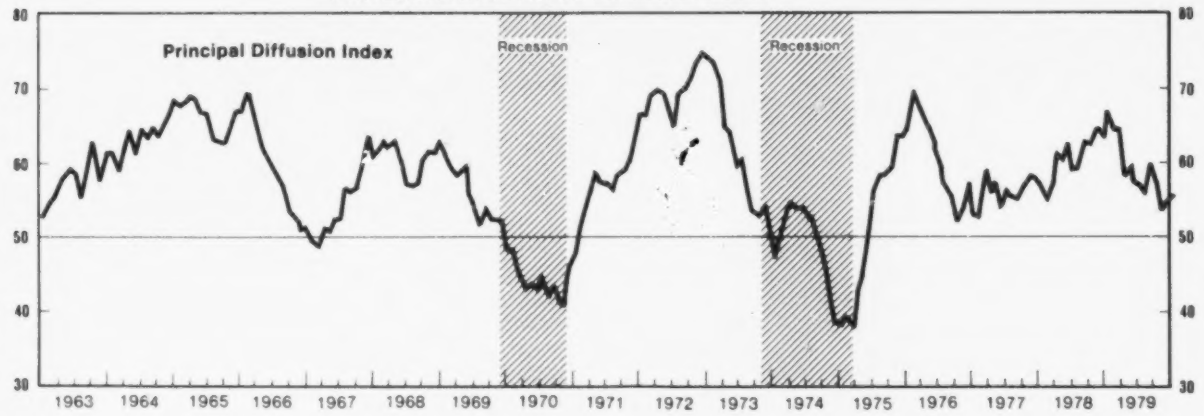
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 Jan.	1980 Oct.	Nov.	Dec.	Jan.(e)
Principal Diffusion Index	66.5	57.9r	53.6r	54.5r	55.2
Auxiliary Diffusion Index	47.4	43.8r	35.9r	52.7r	52.5
Industrial Group	65.8	49.9r	45.1r	48.7r	49.2
Nonindustrial Group	67.3	66.0	62.2	60.3r	61.3
Sense of Diffusion	1.0	0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	80.6	54.3r	50.4r	47.4r	50.4
Labor	60.9	49.2	45.0	50.6r	49.9
Miscellaneous	55.8	44.9	37.2	45.5	45.5
Nonindustrial Subgroups					
Prices	71.2	73.1	62.2	67.3	71.8
Consumer	86.3	70.5	69.2	68.4	73.1
Building	57.1	52.6	44.9	38.5r	35.9
Miscellaneous	52.6	65.8	66.7	62.0r	59.4

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977 Aug.	1977 Nov.	1978 Feb.	1978 May	1978 Aug.	1978 Nov.	1979 Feb.	1979 May	1979 Aug.	1979 Nov.	1980 Feb.
					Score (scale 0-100)						
Measure of Business Confidence	59	52	52	58	49	40	43	41	32	32	40
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	46	60	58	45	47	47	28	29	36
2. Expectations for Economy, Six Months Ahead	56	49	49	54	42	33	36	33	29	29	38
3. Expectations for Own Industry, Six Months Ahead	60	58	59	60	49	43	46	43	39	38	45

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

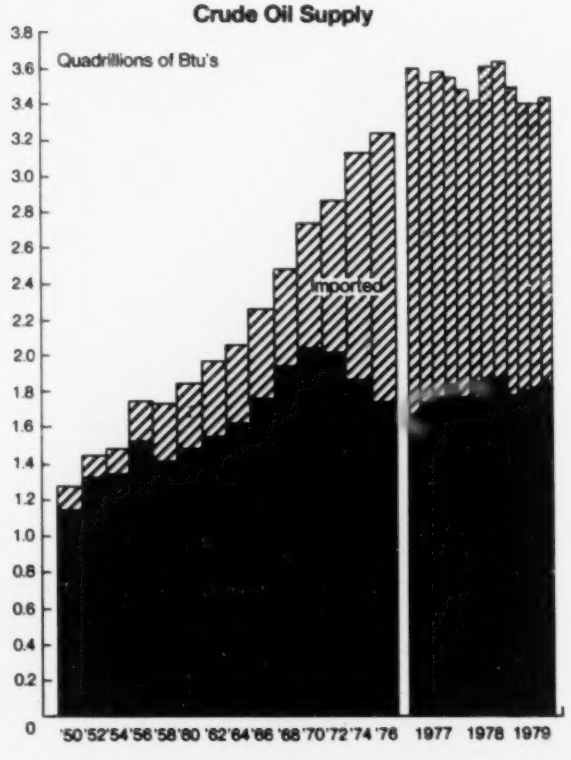
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

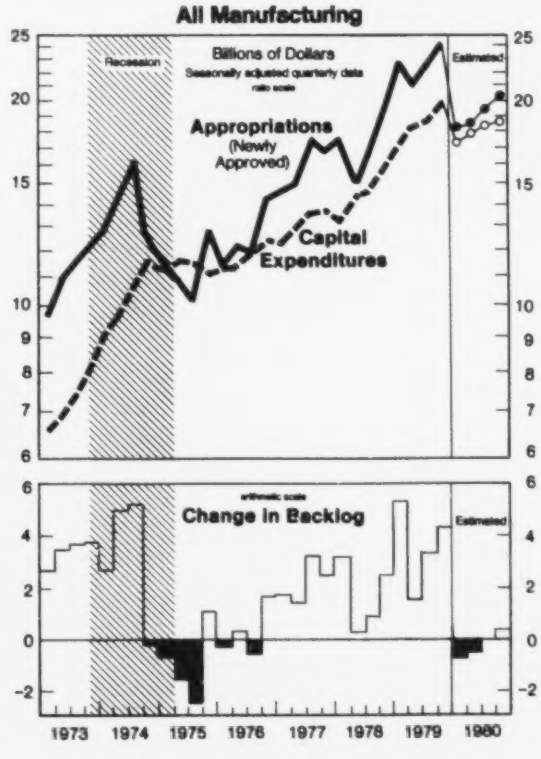
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
				PROJECTIONS							
	II	IIIr	IVp	I	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	21.033	22.552	24.517	18.2	18.6	19.6	20.2	20.7	21.3	21.9	22.3
Capital expenditures	18.027	18.678	20.095	17.3	17.9	18.3	18.6	18.6	18.9	18.9	19.1
Change in appropriations backlog	+ 1.468	+ 3.431	+ 4.269	—0.7	—0.5	0.0	+ 0.3	+ 0.8	+ 1.1	+ 1.7	+ 1.9
Durable Goods											
Newly approved	10.672	10.384	12.153	8.4	8.3	8.3	8.5	8.8	9.1	9.3	9.6
Capital expenditures	8.379	9.126	9.721	8.7	8.6	8.6	8.3	8.1	7.7	7.6	7.5
Change in appropriations backlog	+ 1.970	+ 1.182	+ 2.555								
Nondurable Goods											
Newly approved	10.361	12.168	12.364	9.8	10.2	11.3	11.8	11.9	12.2	12.6	12.7
Capital expenditures	9.648	9.552	10.374	8.7	9.3	9.7	10.2	10.6	11.2	11.3	11.5
Change in appropriations backlog	—0.502	+ 2.249	+ 1.714								
ELECTRIC & GAS UTILITIES											
Appropriations	5.773	12.635									
Capital expenditures	7.120	7.237									
Change in appropriations backlog	—3.944	+ 4.762									

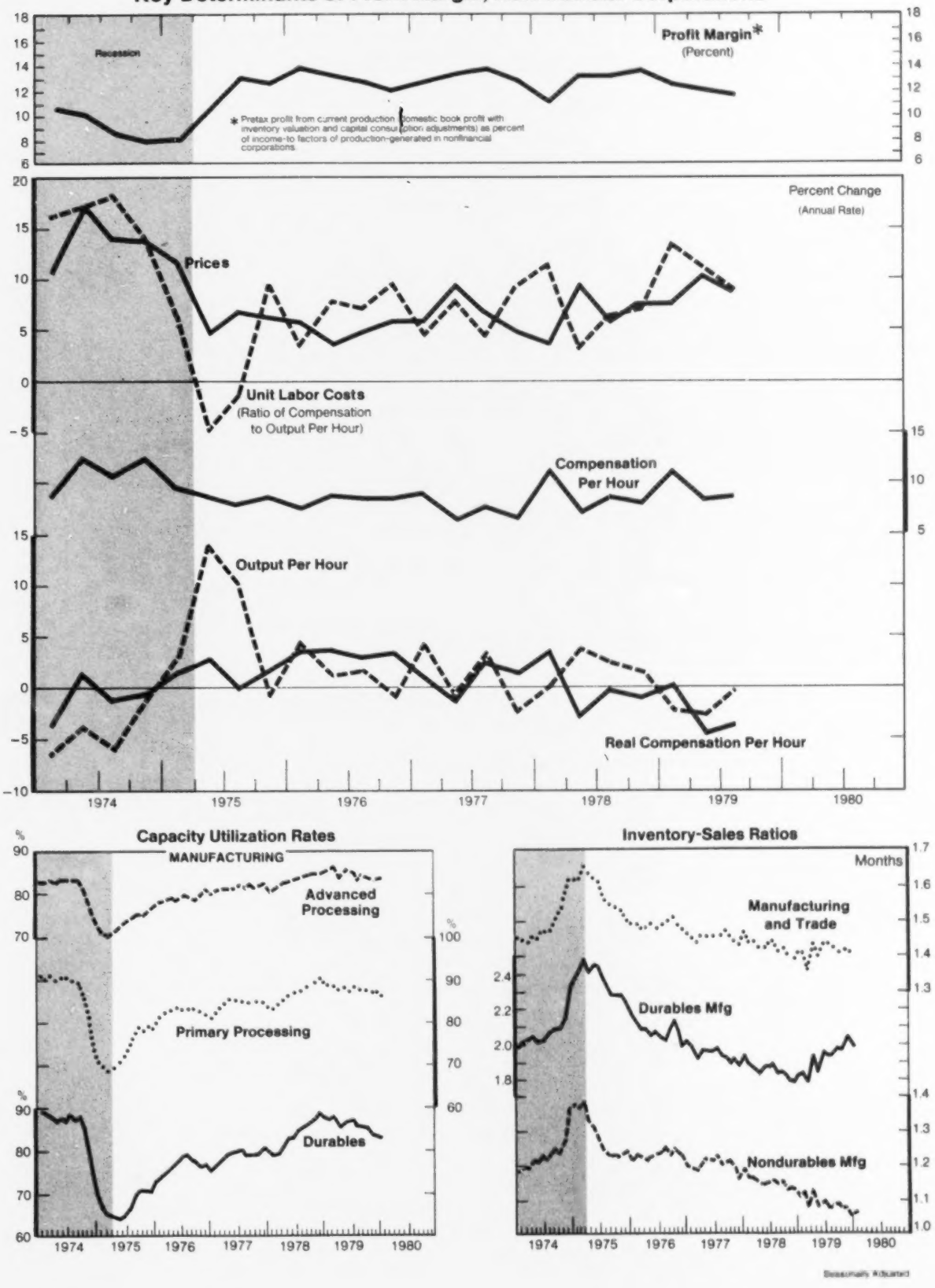
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary





Key Determinants of Profit Margin, Nonfinancial Corporations



ECONOMIC FORECASTS

			ASA-NBER Survey of Regular Forecasters[1]		Merrill Lynch Economics Inc.[2]		Kent Economic Institute[2]		Michigan Research Seminar in Quantitative Economics[2]	
Date of Forecast			Feb., 1980		Feb., 1980		Feb., 1980		Nov., 1979	
			Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Current Dollars										
Actual	**1979**	**IV**			**$2459.4**	**10.9%**	**$2459.4**	**10.9%**		
Forecast	1980	I	$2515.0	10.0%	2525.6	11.2	2529.5	11.9	$2500.0	8.3%
		II	2551.0	5.8	2555.7	4.9	2605.0	12.5	2543.0	7.1
		III	2599.0	7.7	2590.3	5.5	2696.9	14.9	2589.9	7.6
		IV	2665.0	10.6	2638.2	7.8	2772.9	11.8	2649.4	9.5
	1981	I	2737.0	11.3	2704.2	10.4	2804.8	4.7	2706.8	8.9
		II			2789.8	13.3	2901.6	14.5	2771.1	9.9
		III			2892.5	15.6	3003.3	14.8		
		IV			2996.0	15.1	3104.2	14.1		
	1980	**Annual**	**2582.5**	**9.0**	**2577.4**	**8.8**	**2651.1**	**11.9**	**2570.6**	**8.6**
	1981	Annual			2845.6	10.4	2953.5	11.4		
Gross National Product Constant (1972) Dollars										
Actual	**1979**	**IV**			**$1440.7**	**2.1%**	**$1440.7**	**2.1%**		
Forecast	1980	I	$1440.0	0.4%	1443.0	0.8	1440.5	−0.1	$1428.1	−0.9%
		II	1430.0	−2.7	1425.6	−4.7	1443.8	0.9	1424.1	−1.1
		III	1427.0	−0.8	1412.2	−3.7	1451.5	2.2	1422.8	−0.3
		IV	1431.0	1.1	1408.3	−1.1	1459.1	2.1	1425.8	0.8
	1981	I	1438.0	2.0	1416.1	2.2	1465.4	1.7	1428.9	0.9
		II			1434.0	5.2	1481.9	4.6	1434.9	1.7
		III			1457.1	6.6	1495.1	3.6		
		IV			1477.3	5.7	1506.9	3.2		
	1980	**Annual**	**1432.0**	**0.1**	**1422.3**	**−0.7**	**1448.7**	**1.2**	**1425.2**	**−0.3**
	1981	Annual			1446.1	1.7	1487.3	2.7		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1979**	**IV**			**170.7**	**8.7%**	**170.7**	**8.7%**		
Forecast	1980	I	174.8	10.0%	175.0	10.5	175.6	12.0	175.1	9.3%
		II	178.6	9.0	179.3	10.1	180.4	11.5	178.6	8.3
		III	182.5	9.0	183.4	9.6	185.8	12.5	182.0	8.0
		IV	186.0	7.9	187.3	8.8	190.0	9.4	185.8	8.6
	1981	I	190.0	8.9	191.0	8.0	191.4	2.9	189.4	8.0
		II			194.5	7.7	195.8	9.5	193.1	8.0
		III			198.5	8.4	200.9	10.8		
		IV			202.8	8.9	206.0	10.6		
	1980	**Annual**	**180.5**	**9.1**	**181.3**	**9.5**	**183.0**	**10.6**	**180.4**	**8.9**
	1981	Annual			196.7	8.5	198.5	8.5		
Unemployment Rate										
Actual	**1979**	**IV**			**5.9%**		**5.9%**			
Forecast	1980	I	6.3%		6.2		6.3		6.4%	
		II	6.6		6.9		6.3		6.9	
		III	7.0		7.7		6.2		7.3	
		IV	7.1		8.2		6.3		7.6	
	1981	I	7.2		8.5		6.4		7.9	
		II			8.4		6.2		8.1	
		III			8.0		6.2			
		IV			7.7		6.2			
	1980	**Annual**	**6.7**		**7.2**		**6.3**		**7.1**	
	1981	Annual			8.1		6.2			

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on preliminary fourth quarter data.

[2]Based on preliminary third quarter data

[3]Based on revised (first revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

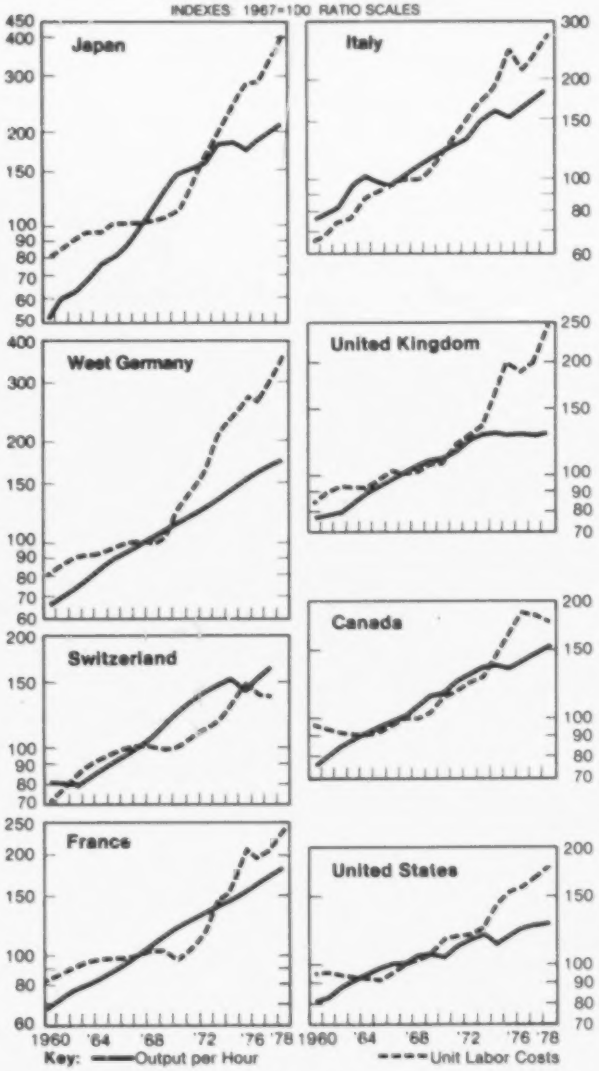
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
Jan., 1980		Feb., 1980		Feb., 1980		Feb., 1980				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Current Dollars		
		$2459.4	**10.9%**	**$2459.4**	**10.9%**	**$2459.4**	**10.9%**	**IV**	**1979**	**Actual**
$2518.0	10.5%	2511.3	8.7	2527.7	11.6	2527.3	11.5	I	1980	Forecast
2581.0	10.4	2537.6	4.3	2578.1	8.2	2573.2	7.5	II		
2665.0	13.7	2551.3	2.2	2618.5	6.4	2619.0	7.3	III		
2740.0	11.7	2625.6	12.2	2680.5	9.8	2677.1	9.2	IV		
2813.0	11.1	2709.4	13.4	2757.7	12.0	2754.9	12.1	I	1981	
2868.0	11.1	2798.8	13.9	2844.0	13.1	2827.1	10.9	II		
2952.0	9.2	2877.4	11.7	2941.9	14.5	2902.7	11.1	III		
3017.0	9.1	2970.9	13.6	3048.2	15.3	2980.9	11.2	IV		
2626.0	**10.9**	**2556.4**	**7.9**	**2601.2**	**9.8**	**2599.1**	**9.7**	**Annual**	**1980**	
2917.5	11.1	2839.1	11.1	2897.9	11.4	2866.4	10.3	Annual	1981	
								Gross National Product Constant (1972) Dollars		
		$1440.7	**2.1%**	**$1440.7**	**2.1%**	**$1440.7**	**2.1%**	**IV**	**1979**	**Actual**
$1442.0	1.0%	1439.0	—0.5	1446.4	1.6	1446.7	1.7	I	1980	Forecast
1448.4	1.8	1419.3	—5.4	1438.9	—2.1	1442.2	—1.2	II		
1464.4	4.5	1402.7	—4.6	1426.9	—3.3	1438.4	—1.0	III		
1476.0	3.2	1412.6	2.9	1425.1	—0.5	1437.9	—0.1	IV		
1487.1	3.0	1425.2	3.6	1433.0	2.2	1447.2	2.6	I	1981	
1498.3	3.0	1436.7	3.3	1445.3	3.5	1455.9	2.4	II		
1504.1	1.6	1448.1	3.2	1462.4	4.8	1466.3	2.9	III		
1509.6	1.5	1460.6	3.5	1479.8	4.8	1475.4	2.5	IV		
1457.7	**1.9**	**1418.4**	**—0.9**	**1434.3**	**0.2**	**1441.3**	**0.7**	**Annual**	**1980**	
1499.8	2.9	1442.6	1.7	1455.1	1.5	1461.2	1.4	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
		170.7	**8.7%**	**170.7**	**8.7%**	**170.7**	**8.7%**	**IV**	**1979**	**Actual**
174.6	9.4%	174.5	9.2	174.8	9.8	174.7	9.7	I	1980	Forecast
178.2	8.5	178.8	10.2	179.2	10.5	178.4	8.8	II		
182.0	8.8	181.9	7.1	183.5	10.0	182.1	8.5	III		
185.6	8.3	185.9	9.1	188.1	10.4	186.2	9.3	IV		
189.2	7.8	190.1	9.4	192.4	9.6	190.4	9.3	I	1981	
192.8	7.8	194.8	10.3	196.8	9.3	194.2	8.3	II		
196.3	7.5	198.7	8.2	201.2	9.2	198.0	8.0	III		
199.9	7.5	203.4	9.8	206.0	9.9	202.0	8.5	IV		
180.1	**8.8**	**180.3**	**8.9**	**181.4**	**9.8**	**180.3**	**9.0**	**Annual**	**1980**	
194.5	8.0	196.8	9.1	199.1	9.8	196.1	8.8	Annual	1981	
								Unemployment Rate		
		5.9%		**5.9%**		**5.9%**		**IV**	**1979**	**Actual**
6.3%		6.3		6.2		6.3		I	1980	Forecast
6.6		6.8		6.5		6.5		II		
6.5		7.4		6.8		7.0		III		
6.4		7.9		7.1		7.4		IV		
6.3		8.0		7.4		7.4		I	1981	
6.2		8.0		7.4		7.5		II		
6.2		7.9		7.4		7.5		III		
6.2		7.7		7.3		7.5		IV		
6.4		**7.1**		**6.8**		**6.8**		**Annual**	**1980**	
6.2		7.9		7.4		7.5		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

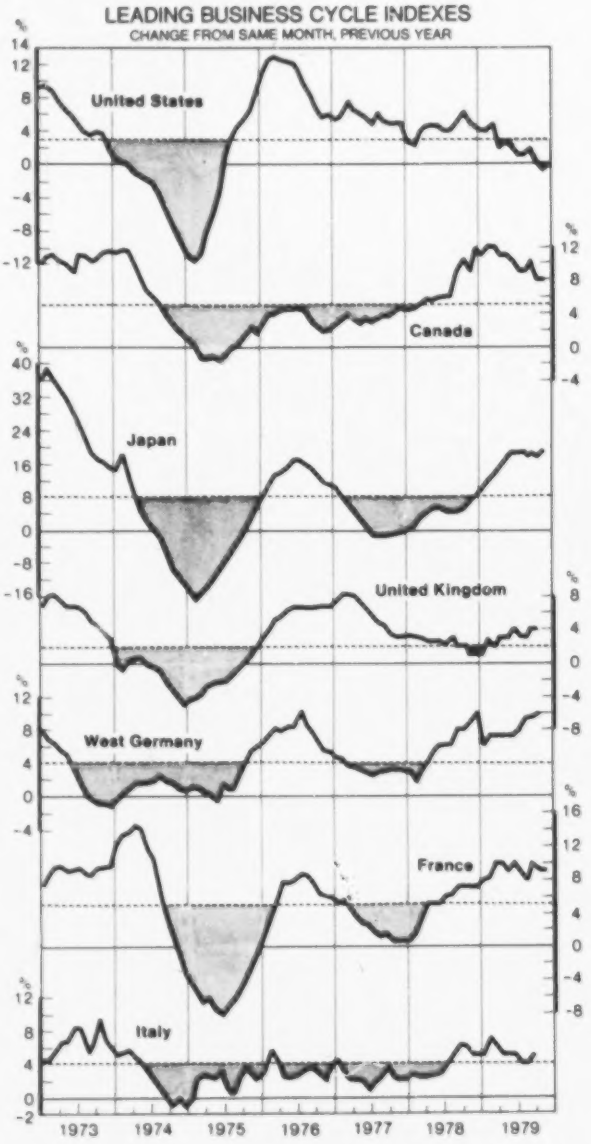
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

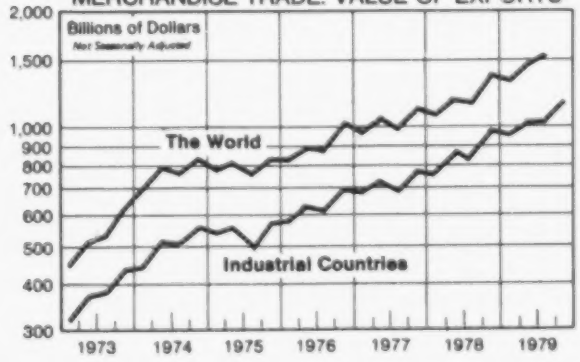


LEADING BUSINESS CYCLE INDEXES

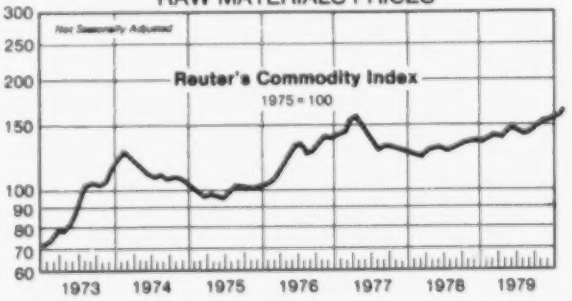
CHANGE FROM SAME MONTH, PREVIOUS YEAR



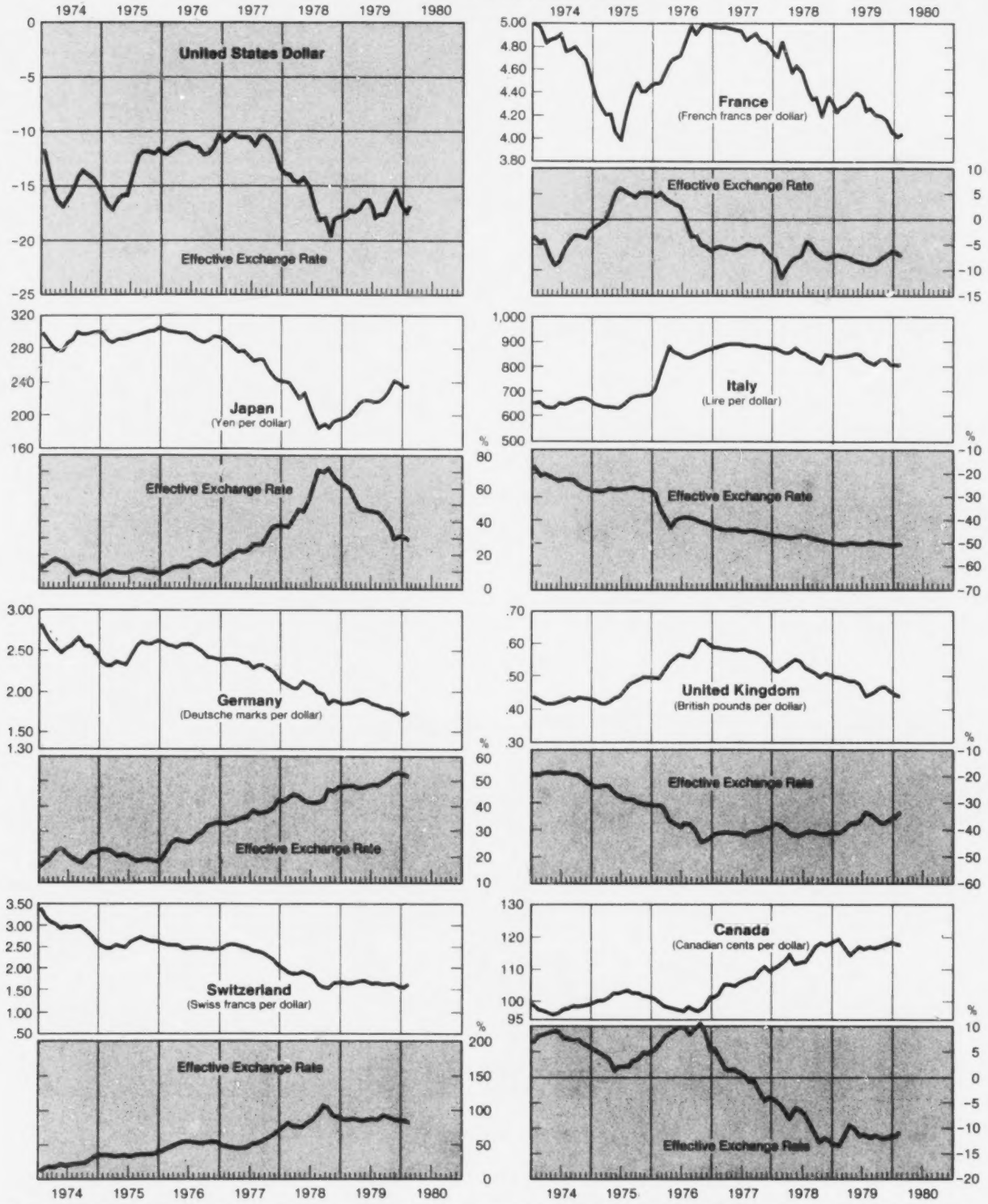
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

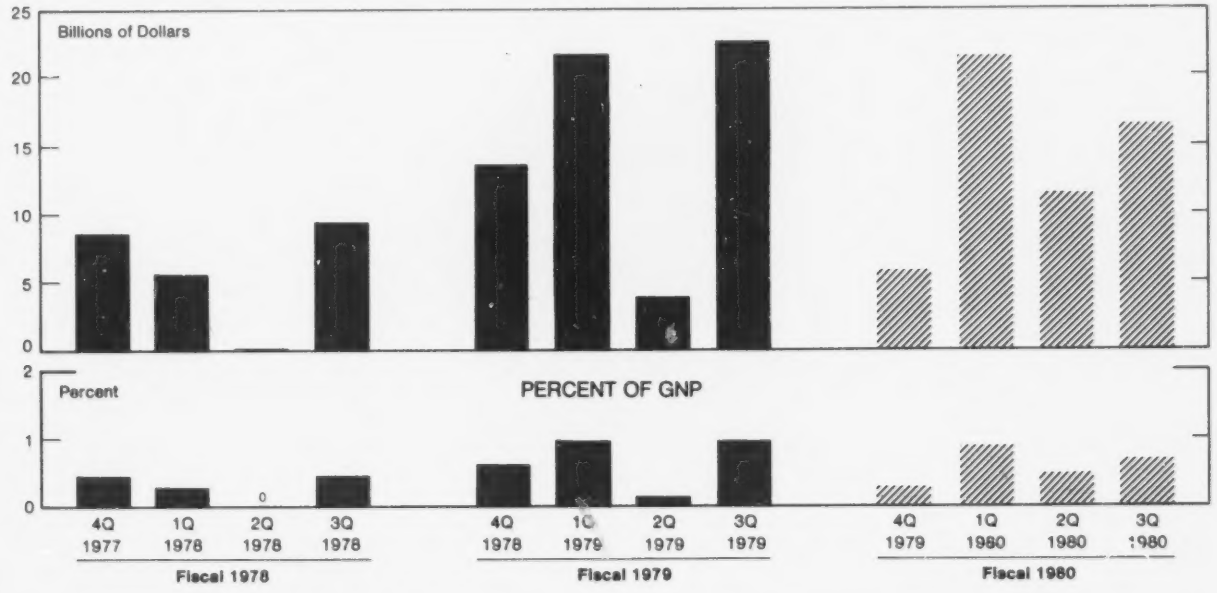
Source: Morgan Guaranty Trust.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1979		Fiscal 1980		Fiscal 1981	
	Current Services (1/23/78)	Actual (1/28/80)	Current Services (1/22/79)	Revised President's Proposal (1/28/80)	Current Services (1/28/80)	Initial Proposal (1/28/80)
Receipts	**$463.8**	**$465.9**	**$504.5**	**$523.8**	**579.0**	**600.0**
Outlays	**492.4**	**493.7**	**536.1**	**563.6**	**612.0**	**615.8**
Deficit	**—28.5**	**—27.7**	**—31.6**	**—39.8**	**—33.0**	**—15.8**
Receipts by source	**463.8**	**465.9**	**504.5**	**523.8**	**579.0**	**600.0**
Individual income taxes	214.0	217.8	229.6	238.7	273.3	274.4
Corporate income taxes	68.8	65.7	71.0	72.3	74.7	71.6
Social insurance	142.5	141.6	161.2	162.2	186.0	187.4
Other receipts	38.5	40.8	42.7	50.6	45.0	66.6
Outlays by function	**492.4**	**493.7**	**536.1**	**563.6**	**612.0**	**615.8**
Income security	159.2	160.2	179.5	190.9	219.9	220.0
National defense	116.8	117.7	125.5	130.4	142.4	146.2
Health	50.3	49.6	55.1	56.6	63.4	62.4
Education and manpower	29.4	29.7	31.0	30.7	32.5	32.0
Veterans' benefits	18.9	19.9	20.4	20.8	21.7	21.7
Transportation	17.1	17.5	18.0	19.6	20.1	20.2
Natural resources and environment	12.0	12.1	11.8	12.8	12.8	12.8
Revenue sharing	9.5	8.4	9.2	8.7	8.5	9.6
International affairs	7.4	6.1	7.9	10.4	9.6	9.6
Community development	8.5	9.5	7.2	8.5	8.5	8.8
Energy	7.6	6.9	8.0	7.8	7.1	8.1
General science	5.1	5.0	5.4	5.9	6.3	6.4
General government	4.2	4.2	4.2	4.9	4.9	4.9
Justice	4.1	4.2	4.3	4.5	4.7	4.7
Agriculture	5.5	6.2	5.0	4.6	3.2	2.8
Commerce and housing credit	3.1	2.6	3.4	5.5	0.8	0.7
Interest	48.7	52.6	57.1	63.3	68.4	67.2
Allowances	1.1	—	2.1	0.1	2.4	2.6
Undistributed offsetting receipts	—16.1	—18.5	—19.0	—22.3	—25.1	—25.2

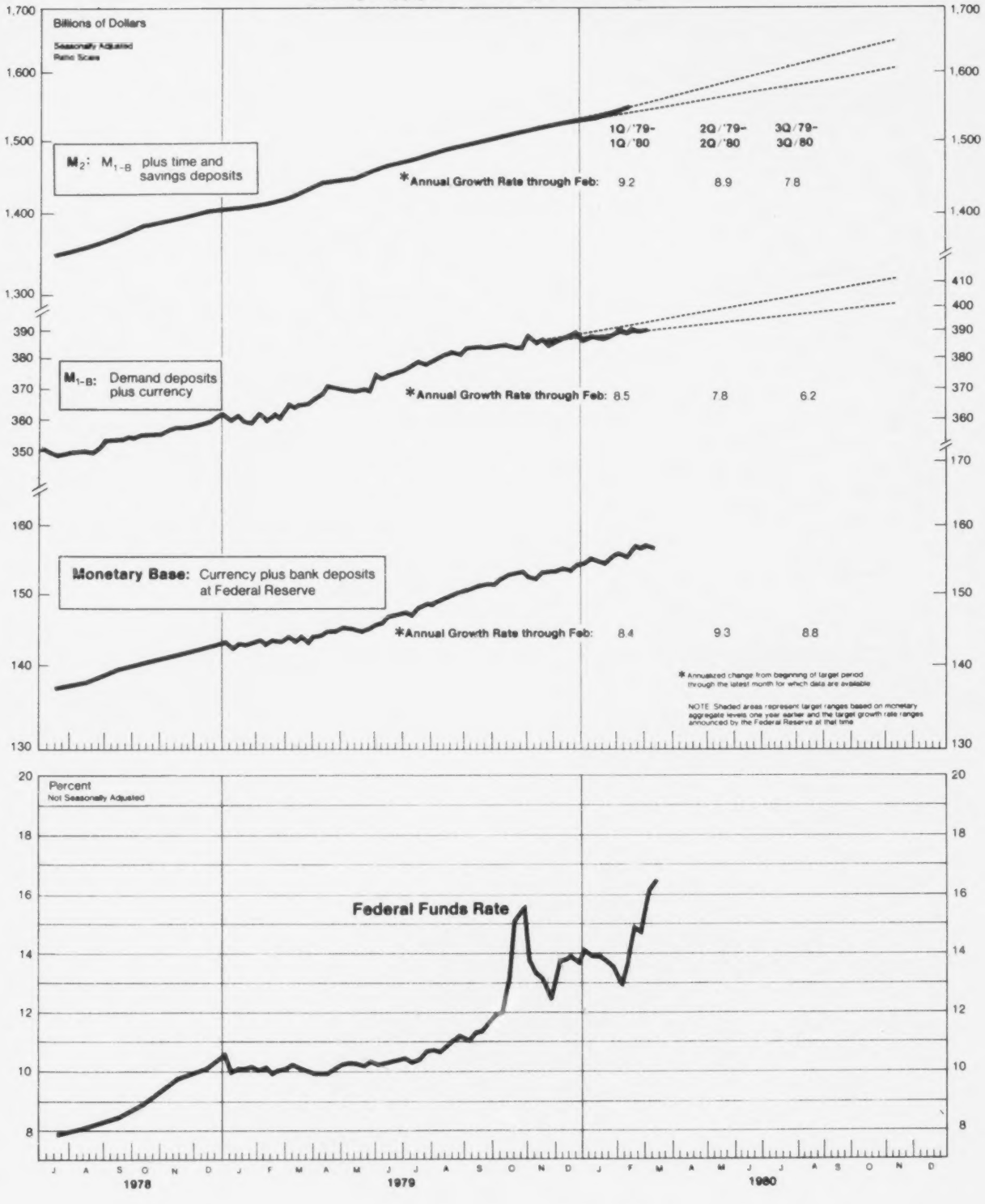
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York, 1976.

Money Supply and Monetary Growth Targets



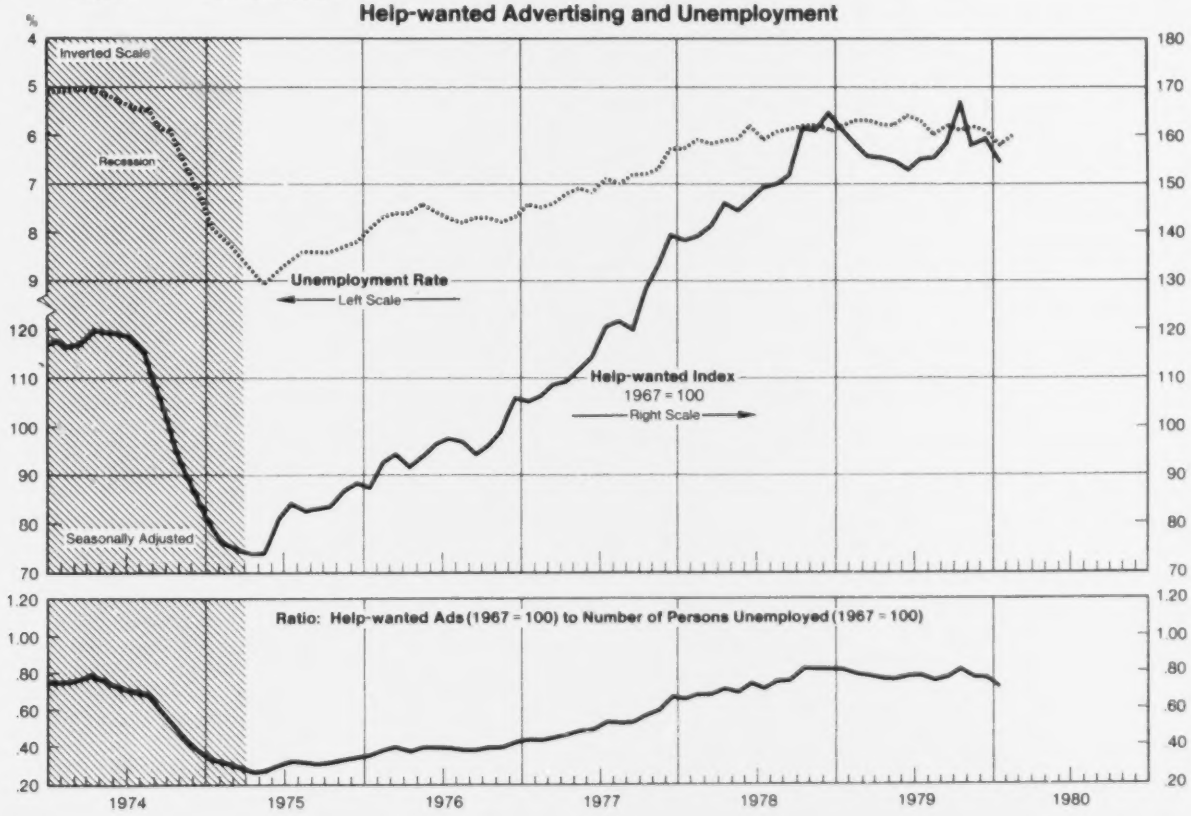
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980	1979		
	Jan.	Dec.	Nov.	Jan.
Total Index 51 papers	154	159r	158	161
New England	142	150	143	141
Boston	147	156	149	144
Hartford	168	177	167	160
Providence	99	106	102	111
Middle Atlantic	72	73	71	73
Albany	108	105	104	104
Allentown	179	141	146	168
New York	59	60	59	59
Philadelphia	65	71	69	67
Pittsburgh	100	104	94	107
Rochester	74	76	83	80
Syracuse	93	105	103	95
East North Central	104	114r	111	126
Chicago	103	115	111	109
Cincinnati	143	160	155	177
Cleveland	94	100	100	129
Columbus	155	165	153	182
Dayton	89	94	97	108
Detroit	74	80	76	108
Gary	135	149	163	178
Indianapolis	121	128	134	149
Milwaukee	98	122r	112	124
Toledo	129	131	130	166
West North Central	121	129r	129	145
Kansas City	143	150	151	173
Minneapolis	146	164	161	155
Omaha	141	143	151	188
St. Louis	76	78r	78	106
South Atlantic	160	163r	166	159
Atlanta	245	250	259	247
Baltimore	106	109	108	110
Charlotte	145	140	139	153
Jacksonville	131	134	132	128
Miami	167	161	173	161
Richmond	109	112	102	115
Washington, D.C.	161	169r	172	153
East South Central	152	157	156	169
Birmingham	n.a.	177	182	205
Knoxville	226	228	233	230
Louisville	95	106	98	114
Memphis	132	125	121	121
Nashville	177	194	192	216
West South Central	311	321	311	312
Dallas	274	277	278	290
Houston	464	490	474	460
New Orleans	194	195r	187	200
Oklahoma City	240	253	242	234
San Antonio	189	183	182	186
Tulsa	262	n.a.	225	243
Mountain	356	369	374	392
Denver	297	302	296	337
Phoenix	404	422	424	405
Salt Lake City	402	423	456	481
Pacific	233	232	235	221
Los Angeles	211	209	207	197
Sacramento	313	315	325	318
San Bernardino	182	192	193	185
San Diego	369	361	385	349
San Francisco	225	223	230	204
Seattle	253	251	259	260
Percentage of papers with rising volume	20%	55%	10%	35%
Unemployment rate	6.2%	5.9%	5.8%	5.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



REVISED

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.7p										

Buying Plans Index

1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	103.5p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

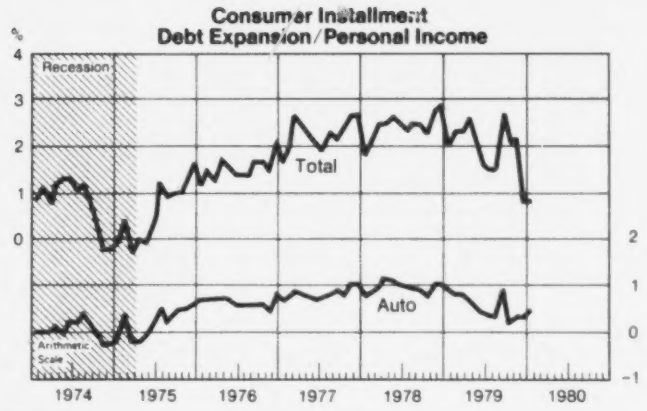
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

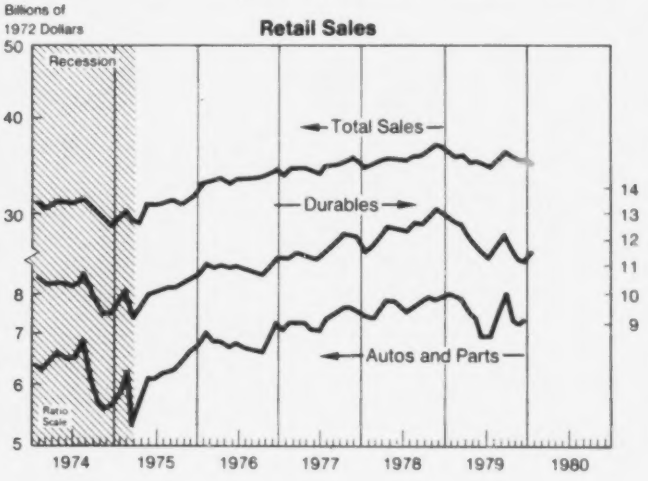
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1269.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised



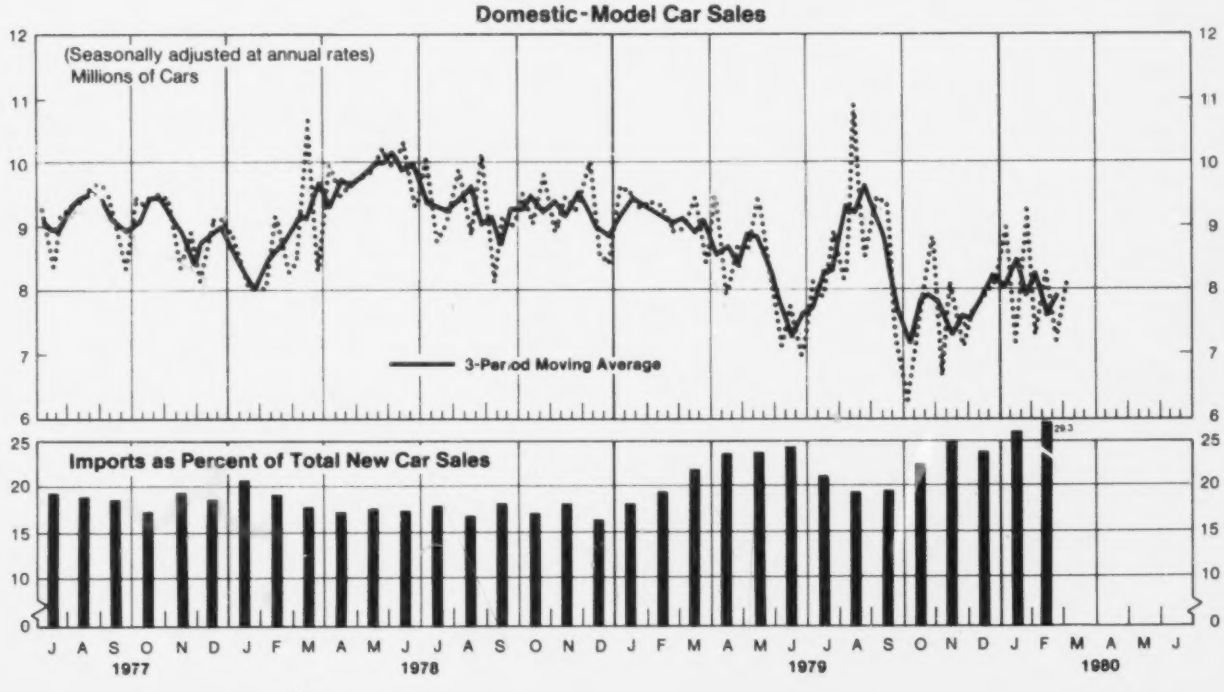


CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.35	7.28
	11-20	8.20	9.15	9.27	8.28
	21-28(29)	9.10	8.35	8.94	7.20
March:	1-10	9.86	8.49	8.95	8.10
	11-20	7.81	10.62	9.44	
	21-31	9.69	8.32	8.45	
April:	1-10	7.88	9.96	9.41	
	11-20	9.25	9.44	7.90	
	21-30	9.00	9.64	8.61	
May:	1-10	9.21	9.72	8.63	
	11-20	8.84	9.85	9.44	
	21-31	9.04	10.22	8.42	
June:	1-10	9.75	9.94	7.12	
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.59	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and imported foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.



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STATISTICAL BULLETIN

Volume 13 No. 4, April, 1980

STATISTICAL REFERENCE INDEX
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THE CONFERENCE BOARD

comment

Only two short months ago, we suggested here that the most widely heralded recession in history had yet to occur. Further, it was pointed out that it might not occur. Specifically, while consumer market activity was indeed weak, erosion of capital investment activity had not developed. Although profit margins were shrinking, as indicated on the *Key Determinants of Profit Margins* chart, demand for plant and equipment was still rising, as indicated on the *Capital Appropriations and Expenditures* table.

But that was two months ago, when there was still room to question how tight monetary policy would become. But by now, data on *Money Supply and Monetary Targets* clearly show that monetary expansion has been sharply reduced and interest rates, relative to any measure of inflation, have been hiked to the point where the cost of borrowing funds is truly expensive. The tight money policy has sapped what little strength was left in consumer markets and there are some early signs that capital investment activity has begun to soften. Thus, not only is a recession likely to occur this year, it may have already begun.

Last Summer, when it seemed that the economy might be undergoing a contraction, consumer attitudes turned more pessimistic than they had been since the last recession in early 1975. As it became clear that the economy, though hardly buoyant, was not in recession, attitudes improved. But the latest data on The Conference Board's *Consumer Confidence Index* show that the recent spate of bad economic news has helped push consumer attitudes back down to the levels they reached last summer. Another factor adversely affecting consumer feelings is the steady erosion of purchasing power under the onslaught of inflation. Retail sales, adjusted for inflation, declined 2% in February. Undoubtedly, that drop would have been even steeper if buying on credit had not shot up dramatically. The net increase in consumer installment debt in February was twice what it was in either January or December. With nominal personal income only slightly higher in February than in January, the ratio of installment debt expansion to personal income shot up from 0.8% in January to 1.7% in February. That surge may have been a final burst of heavy credit use. Not only have interest rates been rising, where not restricted by law, but the availability of consumer credit has been widely constrained since mid-March, when the Federal Reserve took policy actions aimed explicitly at slowing consumer credit growth. Real retail sales declined even more sharply in March than in February. The weakness in buying is most notable in cyclically sensitive consumer durable goods. New domestic *Automobile Sales*, for example, were lower in late March than they had been at any time in the last five years, or since the end of the last recession.

With sales volume falling, production planners have been faced with a choice of altering schedules or accumulating inventory. Current interest rates make inventory financing extremely costly. In addition, declining sales volume means a lighter cash flow. The likelihood of widespread production cutbacks would seem to be as high as the chance that consumer demand will continue to weaken. And the resulting layoffs, implied in the production cutbacks, will only add to the probability that consumer market activity will continue to weaken.

With supply from existing capacity in excess of current demand, the need for additional capacity fades. This is especially true in the current context of diminished internal funds, brought on by shrinking profit margins. And higher interest rates have made external financing more costly. As a result, orders for new plant and equipment were about 7% lower in February than they were only three months earlier, suggesting that capital investment is running out of steam.

In sum, the pace of economic activity appears to be slowing and indications are that it will get worse before it gets any better. The composite index of *Leading Economic Indicators* has declined

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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in seven out of the last eight months. Altogether, the cumulative drop in this series since January, 1979, is a little more than 5 percent. A decline of this duration and magnitude strongly suggests an upcoming recession. All but one of the *Economic Forecasts* are in agreement that the recession will start no later than the second quarter of this year, and will continue through the remainder of the year.

The median of the forecasts says that real output is expected to decline by a seasonally adjusted 2.7% annual rate in the second quarter of 1980, by 3.7% in the third quarter, and by 0.6% in the fourth quarter. The median forecast for the first quarter of 1981 is for a rise of only 1.5%, but then the pace accelerates to 2.4% in the second quarter, and by the third quarter of 1981 the expansion phase of the cycle will be fully under way with real output rising at about its long-term trend rate.

The most pessimistic outlook is that real output could be declining at an annual rate close to 6% in the three-quarter recession, and that the recovery will see real output rise at only a very sluggish pace of no more than 2% per quarter through the end of 1981.

The most optimistic outlook is that activity will decline only very modestly—and only in the second quarter of 1980. This view suggests that real growth will be sluggish but positive through the second half of this year. In 1981, activity would start expanding at rates close to or above the long-term trend and continue at such a pace through the end of 1981.

The forecasters expect a period of recession, or at best of prolonged sluggishness, to slow the inflation, as measured by the implicit price deflator for GNP, to perhaps 8% by early 1981 before both the economy and the inflationary spiral begin accelerating again. Some of the *Economic Forecasts* indicate that inflation may only improve to 8½% by early 1981, while other, more optimistic forecasts indicate it might come down to about 6½ percent.

The sharply lowered pace of economic activity will result in a steep rise in unemployment. The median expectation is that the national unemployment rate will rise to about 8% by this time next year. Some of the pessimistic forecasts indicate that rate may peak closer to 8½%, but that level of unemployment may occur as early as the fourth quarter of 1980 and not subside until late in 1981.

Ken Goldstein

The Inflation Spiral

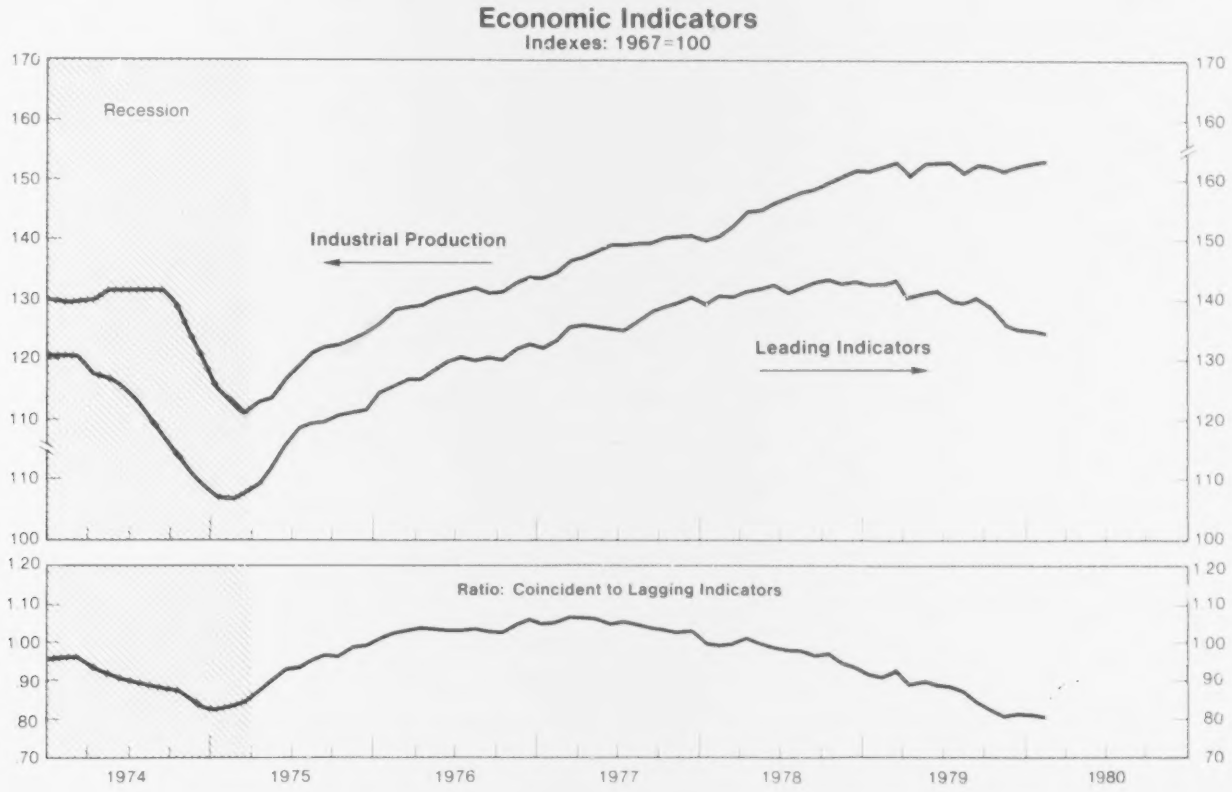
Average Annual Percent Changes in Consumer Price Index

STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.			X	— 0.8%	— 5.2%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.		X		— 6.6%	—12.6%
New orders, nondefense capital goods (deflated)	Feb.		X		— 4.2%	—12.9%
*Net business formation	Dec.			X	— 3.0%	— 3.9%
*Housing permits	Feb.			X	— 9.6%	—19.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.		X		6.8%	— 5.1%
*Change in inventory, on hand & order (deflated)	Jan.			X	— 5.9%	—30.1%
Purchasing agents' buying policy	Mar.		X		— 1 %	—12 %
*Vendor performance, reported slower deliveries	Feb.			X	—10.6%	—45.5%
Industrial raw materials prices	Mar.	X			+ 2.8%	+ 10.3%
*Change in sensitive prices	Feb.	X			+ 0.2%	+ 1.0%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Feb.			X	— 2.2%	— 3.9%
Change in business loans	Mar.			X	—10.6%	—12.4%
*Change in liquid assets	Feb.		X		— 0.1%	— 0.1%
Change in consumer installment debt	Jan.			X	— 9.8%	—20.3%
Profitability						
Total corporate profits, after tax (deflated)	4th Q.			X	— 1.3%	+ 3.1%
*Common stock prices	Mar.			X	— 2.4%	+ 5.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.		X		0.0hr	— 0.6hr
Initial unemployment claims (inverted)	Feb.			X	+ 10.3%	—10.0%
*Layoff rate, mfg. (inverted)	Feb.		X		0.0%	+ 0.4%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C., Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V)

*These twelve series make up the composite leading index charted below.



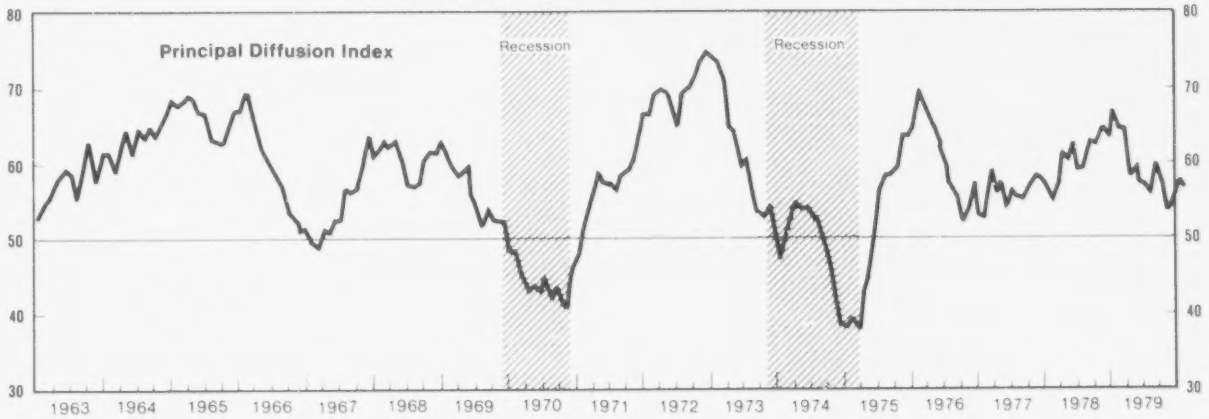
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 Feb.	1980 Nov.	Dec.	Jan.	Feb.(e)
Principal Diffusion Index	64.0	53.4r	55.0r	57.3r	56.8
Auxiliary Diffusion Index	41.9	36.1r	55.4r	57.5r	48.3
Industrial Group	62.1	45.1	48.7	50.7r	50.2
Nonindustrial Group	66.0	61.7r	61.4r	64.0r	63.5
Sense of Diffusion	1.0	0.0	0.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	74.4	50.4	47.4	55.6r	57.7
Labor	57.7	45.0	50.6	49.9	47.6
Miscellaneous	54.5	37.2	45.5	45.5	45.5
Nonindustrial Subgroups					
Prices	67.9	62.2	67.3	71.8	76.3
Consumer	82.9	74.4r	73.1r	77.4r	70.9
Building	55.8	44.9	46.2r	46.8r	43.6
Miscellaneous	54.7	59.8r	56.0r	56.8r	60.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12 month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977 Aug	Nov.	1978 Feb	May	Aug	Nov.	1979 Feb.	May	Aug	Nov.	1980 Feb.
	Score (scale 0-100)										
Measure of Business Confidence	59	52	52	58	49	40	43	41	32	32	40
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	46	60	58	45	47	47	28	29	36
2. Expectations for Economy, Six Months Ahead	56	49	49	54	42	33	36	33	29	29	38
3. Expectations for Own Industry, Six Months Ahead	60	58	59	60	49	43	46	43	39	38	45

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

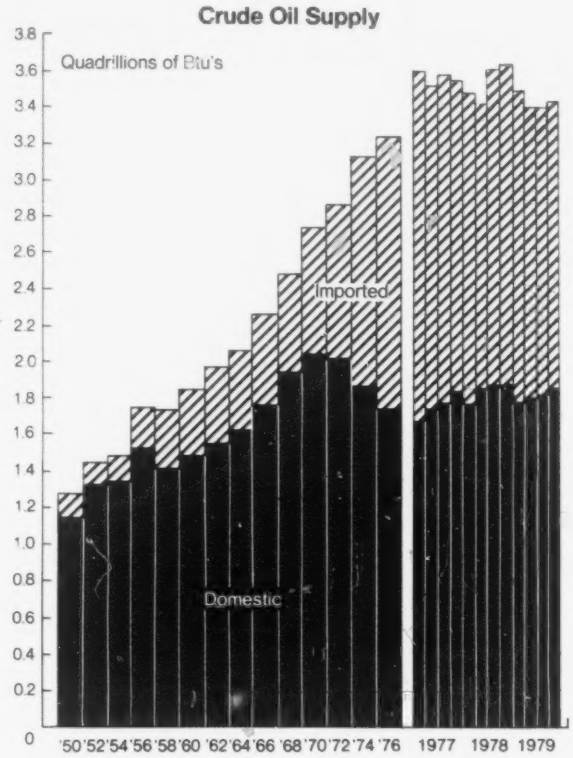
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

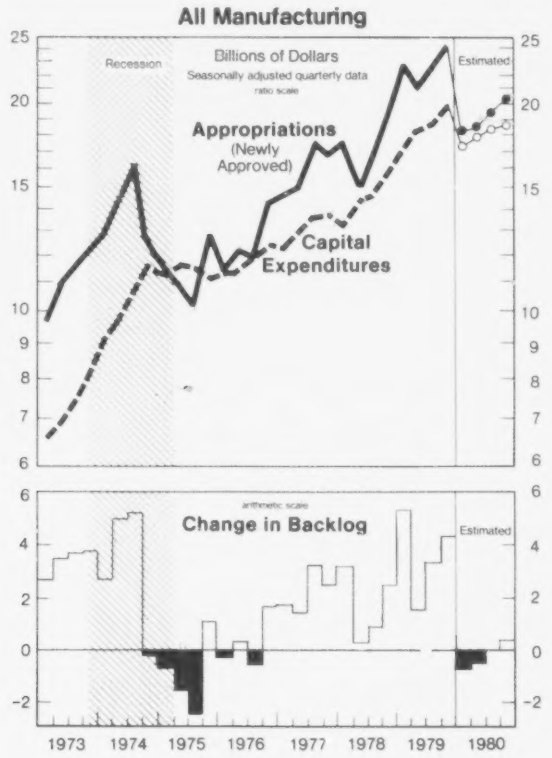
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
				PROJECTIONS							
	II	IIIr	IVp	I	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	21.033	22.552	24.517	18.2	18.6	19.6	20.2	20.7	21.3	21.9	22.3
Capital expenditures	18.027	18.678	20.095	17.3	17.9	18.3	18.6	18.6	18.9	18.9	19.1
Change in appropriations backlog	+ 1.468	+ 3.431	+ 4.269	—0.7	—0.5	0.0	+ 0.3	+ 0.8	+ 1.1	+ 1.7	+ 1.9
Durable Goods											
Newly approved	10.672	10.384	12.153	8.4	8.3	8.3	8.5	8.8	9.1	9.3	9.6
Capital expenditures	8.379	9.126	9.721	8.7	8.6	8.6	8.3	8.1	7.7	7.6	7.5
Change in appropriations backlog	+ 1.970	+ 1.182	+ 2.555								
Nondurable Goods											
Newly approved	10.361	12.168	12.364	9.8	10.2	11.3	11.8	11.9	12.2	12.6	12.7
Capital expenditures	9.648	9.552	10.374	8.7	9.3	9.7	10.2	10.6	11.2	11.3	11.5
Change in appropriations backlog	—0.502	+ 2.249	+ 1.714								
ELECTRIC & GAS UTILITIES											
Appropriations	6.763r	10.913	8.809								
Capital expenditures	7.149r	7.139	6.994								
Change in appropriations backlog	—1.737r	+ 3.276	—7.236								

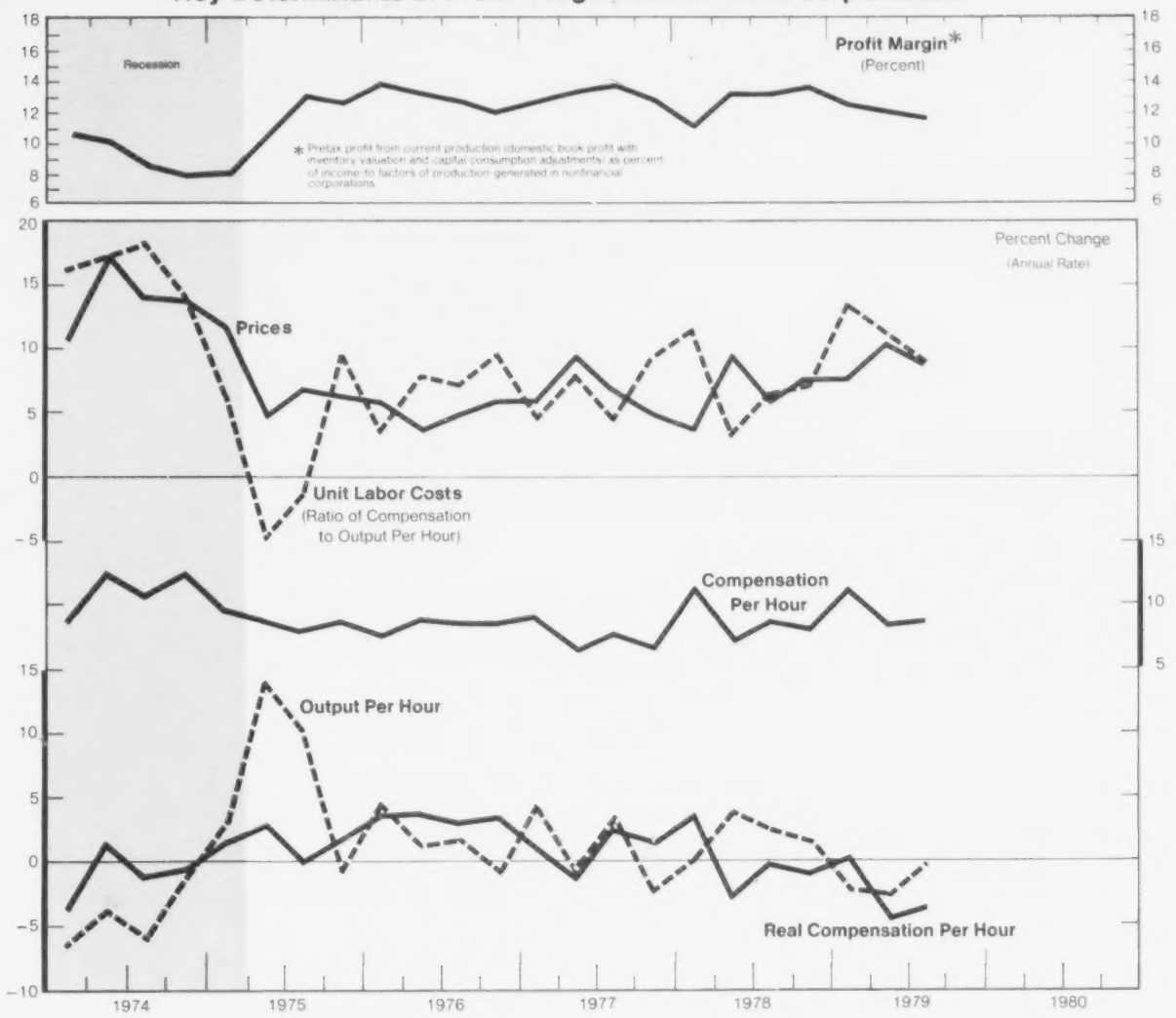
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model. Data for utilities are revised for 1978 and 1979.

r—revised p—preliminary

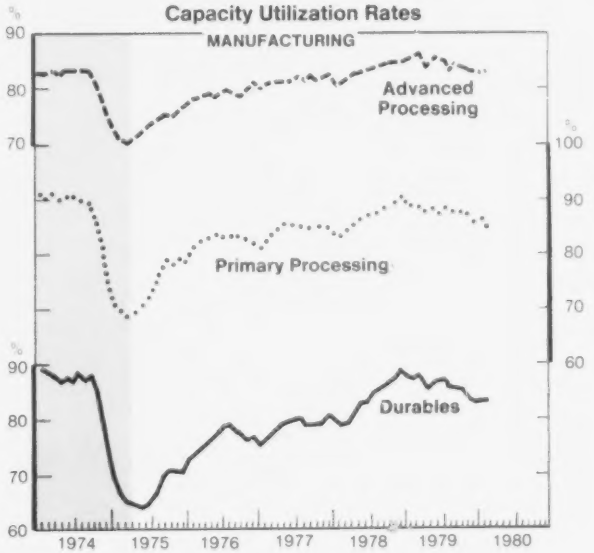




Key Determinants of Profit Margin, Nonfinancial Corporations



Capacity Utilization Rates



Inventory-Sales Ratios

Seasonally Adjusted

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[2]		Michigan Research Seminar in Quantitative Economics[2]	
Date of Forecast			Feb., 1980		Feb., 1980		Mar., 1980		Mar., 1980	
			Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change
Gross National Product Current Dollars										
Actual	**1979**	**IV**					**$2456.9**	**10.5%**	**$2456.9**	**10.5%**
Forecast	1980	I	$2529.5	**11.9%**	$2525.6	**11.2%**	2539.7	**14.2**	2532.4	**12.9**
		II	2589.8	**9.9**	2555.7	**4.9**	2629.4	**14.9**	2581.3	**7.9**
		III	2626.2	**5.7**	2590.3	**5.5**	2713.6	**13.4**	2639.2	**9.3**
		IV	2651.8	**4.0**	2638.2	**7.6**	2806.3	**14.4**	2693.0	**8.4**
	1981	I	2710.1	**9.1**	2704.2	**10.4**	2884.0	**11.5**	2740.4	**7.2**
		II	2798.1	**13.6**	2789.8	**13.3**	2966.8	**12.0**	2798.2	**8.7**
		III	2901.9	**15.7**	2692.5	**15.6**	3065.2	**13.9**	2865.0	**9.9**
		IV	3005.0	**15.0**	2996.0	**15.1**	3154.1	**12.1**		
	1980	**Annual**	**2599.3**	**9.7**	**2577.4**	**8.8**	**2672.2**	**12.8**	**2611.5**	**10.2**
	1981	Annual	2853.8	**9.8**	2845.6	**10.4**	3017.5	**12.9**		
Gross National Product Constant (1972) Dollars										
Actual	**1979**	**IV**					**$1440.3**	**2.0%**	**$1440.3**	**2.0%**
Forecast	1980	I	$1452.6	**3.3%**	$1443.0	**0.6%**	1443.0	**0.8**	1447.1	**1.9**
		II	1449.9	**−0.7**	1425.6	**−4.7**	1439.2	**−1.0**	1435.3	**−3.2**
		III	1435.6	**−3.9**	1412.2	**−3.7**	1441.1	**0.5**	1432.3	**−0.8**
		IV	1419.3	**−4.5**	1408.3	**−1.1**	1447.3	**1.7**	1430.0	**−0.6**
	1981	I	1421.6	**0.6**	1416.1	**2.2**	1460.3	**3.6**	1427.4	**−0.7**
		II	1437.5	**4.5**	1434.0	**5.2**	1473.8	**3.7**	1429.2	**0.5**
		III	1459.5	**6.3**	1457.1	**6.6**	1486.5	**3.5**	1436.1	**1.9**
		IV	1478.7	**5.4**	1477.3	**5.7**	1492.7	**1.7**		
	1980	**Annual**	**1439.3**	**0.5**	**1422.3**	**−0.7**	**1442.6**	**0.8**	**1436.2**	**−0.3**
	1981	Annual	1449.3	**0.7**	1446.1	**1.7**	1478.3	**2.5**		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1979**	**IV**					**170.6**	**8.3%**	**170.6**	**8.3%**
Forecast	1980	I	174.1	**8.3%**	175.0	**10.5%**	176.0	**13.3**	175.0	**10.8**
		II	178.6	**10.7**	179.3	**10.1**	182.7	**16.1**	179.8	**11.5**
		III	182.9	**10.0**	183.4	**9.6**	188.3	**12.8**	184.3	**10.2**
		IV	186.8	**8.8**	187.3	**8.8**	193.9	**12.4**	188.3	**9.1**
	1981	I	190.6	**8.4**	191.0	**8.0**	197.5	**7.6**	192.0	**8.0**
		II	194.7	**8.7**	194.5	**7.7**	201.3	**7.9**	195.8	**8.2**
		III	198.8	**8.9**	198.5	**8.4**	206.2	**10.1**	199.5	**7.8**
		IV	203.2	**9.1**	202.8	**8.9**	211.3	**10.3**		
	1980	**Annual**	**180.6**	**9.2**	**181.3**	**9.5**	**185.2**	**12.0**	**181.8**	**9.9**
	1981	Annual	196.8	**9.0**	196.7	**8.5**	204.1	**10.2**		
Unemployment Rate										
Actual	**1979**	**IV**					**5.9%**		**5.9%**	
Forecast	1980	I	6.2%		6.2%		6.3		6.1	
		II	6.6		6.9		6.5		6.5	
		III	7.6		7.7		6.6		7.0	
		IV	8.4		8.2		6.5		7.4	
	1981	I	8.3		8.5		6.5		7.8	
		II	7.9		8.4		6.5		8.2	
		III	7.6		8.0		6.5		8.4	
		IV	7.4		7.7		6.3			
	1980	**Annual**	**7.2**		**7.2**		**6.5**		**6.8**	
	1981	Annual	7.8		8.1		6.5			

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (first revision) fourth quarter data.

[2]Based on revised (second revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

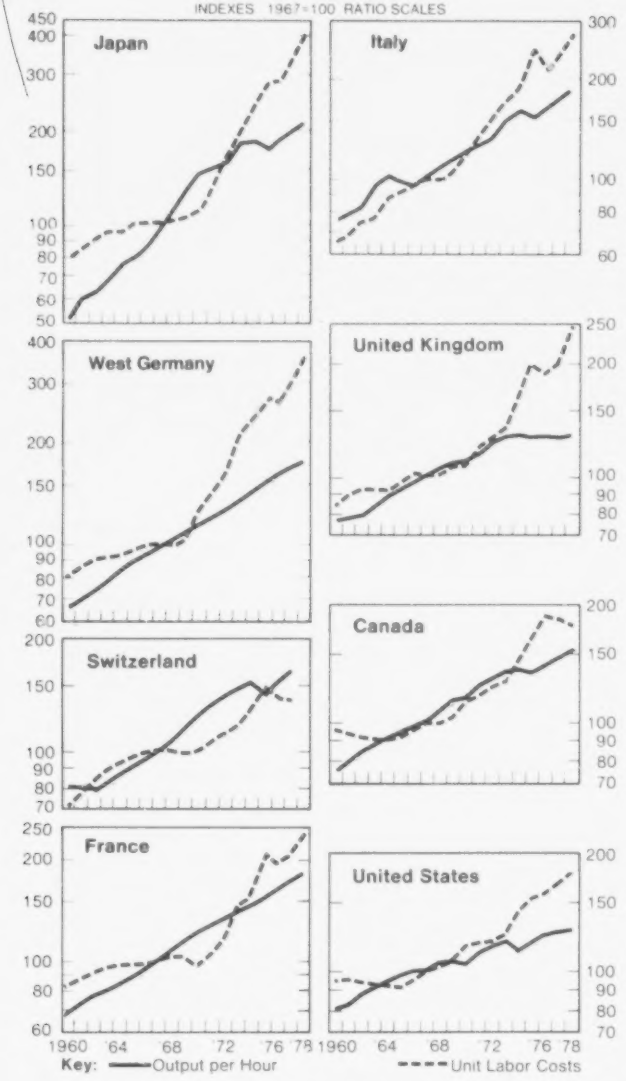
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Mar. 1980		Mar. 1980		Mar. 1980		Mar. 1980				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Current Dollars		
$2456.9	**10.5%**	**$2456.9**	**10.5%**	**$2456.9**	**10.5%**	**$2456.9**	**10.5%**	**IV**	**1979**	**Actual**
2516.0	10.0	2512.7	9.4	2523.8	11.3	2519.7	10.6	I	1980	Forecast
2540.0	3.9	2543.6	5.0	2582.6	9.6	2564.6	7.3	II		
2554.0	2.2	2553.2	1.5	2627.4	7.1	2613.4	7.8	III		
2584.0	4.8	2612.3	9.6	2694.1	10.5	2670.5	9.0	IV		
2635.0	8.1	2694.1	13.1	2770.2	11.8	2742.2	11.2	I	1981	
2696.0	9.6	2787.5	14.6	2854.8	12.8	2809.1	10.1	II		
2770.0	11.4	2865.2	11.6	2959.0	15.4	2883.9	11.1	III		
2841.0	10.7	2957.4	13.5	3074.5	16.6	2961.7	11.2	IV		
2548.5	**7.6**	**2555.4**	**7.9**	**2607.0**	**10.1**	**2592.0**	**9.4**	**Annual**	**1980**	
2735.5	7.3	2826.0	10.6	2914.6	11.8	2849.2	9.9	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1440.3	**2.0%**	**$1440.3**	**2.0%**	**$1440.3**	**2.0%**	**$1440.3**	**2.0%**	**IV**	**1979**	**Actual**
1442.1	0.5	1440.0	—0.1	1445.7	1.5	1444.4	1.1	I	1980	Forecast
1427.5	—4.0	1418.4	—5.9	1436.8	—2.4	1438.3	—1.7	II		
1407.3	—5.5	1397.0	—5.9	1422.1	—4.0	1433.4	—1.4	III		
1397.1	—2.9	1398.6	0.5	1418.6	—1.0	1431.7	—0.5	IV		
1399.1	0.6	1410.7	3.5	1422.7	1.2	1437.0	1.5	I	1981	
1405.8	1.9	1422.3	3.3	1431.2	2.4	1442.0	1.4	II		
1420.1	4.1	1432.7	3.0	1448.7	5.0	1451.1	2.5	III		
1432.2	3.5	1444.0	3.2	1467.6	5.3	1459.0	2.2	IV		
1418.5	**—0.9**	**1413.5**	**—1.3**	**1430.8**	**—0.1**	**1436.9**	**0.4**	**Annual**	**1980**	
1414.3	—0.3	1427.4	1.0	1442.5	0.8	1447.3	0.7	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
170.6	**8.3%**	**170.6**	**8.3%**	**170.6**	**8.3%**	**170.6**	**8.3%**	**IV**	**1979**	**Actual**
174.5	9.4	174.5	9.5	174.6	9.7	174.4	9.4	I	1980	Forecast
177.9	8.2	179.3	11.6	179.7	12.4	178.3	9.2	II		
181.5	8.2	182.8	7.9	184.8	11.6	182.3	9.3	III		
185.0	7.9	186.8	9.1	189.9	11.6	186.5	9.5	IV		
188.3	7.5	191.0	9.3	194.7	10.5	190.8	9.5	I	1981	
191.8	7.5	196.0	10.9	199.5	10.1	194.8	8.6	II		
195.1	7.0	200.0	8.4	204.3	9.9	198.7	8.3	III		
198.4	7.0	204.8	10.0	209.5	10.7	203.0	8.8	IV		
179.7	**8.6**	**180.8**	**9.3**	**182.2**	**10.2**	**180.4**	**9.0**	**Annual**	**1980**	
193.4	7.6	197.9	9.5	202.0	10.8	196.8	9.1	Annual	1981	
								Unemployment Rate		
5.9%		5.9%		5.9%		5.9%		**IV**	**1979**	**Actual**
6.2		6.2		6.0		6.2		I	1980	Forecast
6.8		6.7		6.5		6.5		II		
7.6		7.5		6.9		7.0		III		
8.0		8.0		7.2		7.5		IV		
8.0		8.2		7.5		7.6		I	1981	
8.0		8.2		7.7		7.8		II		
7.7		8.1		7.7		7.8		III		
7.5		8.0		7.6		7.9		IV		
7.1		**7.1**		**6.6**		**6.8**		**Annual**	**1980**	
7.8		8.1		7.6		7.8		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

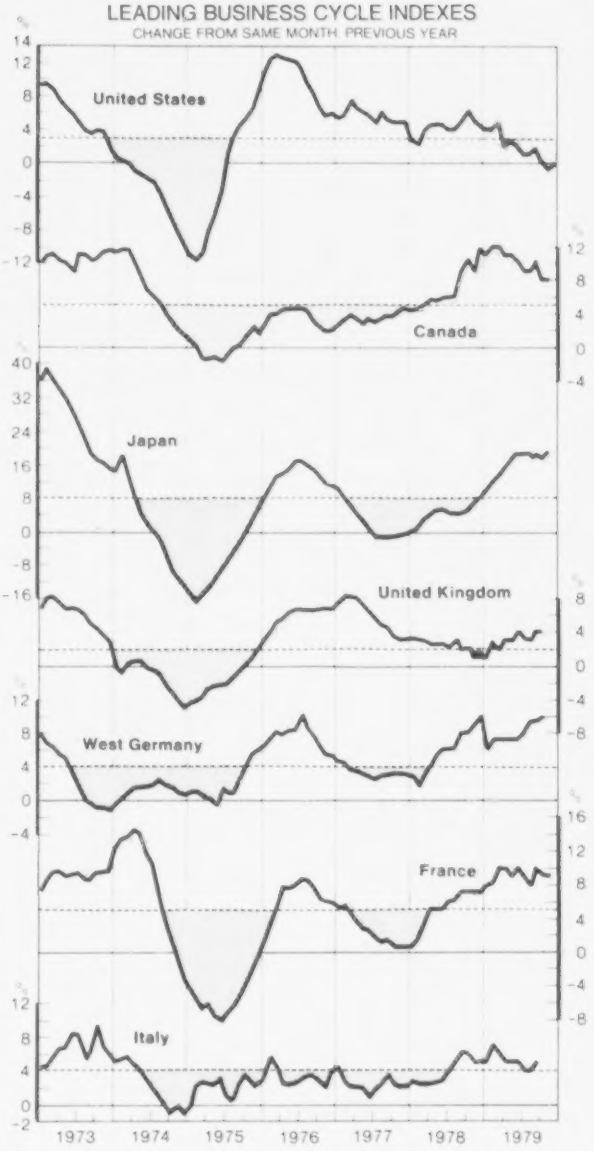
PRODUCTIVITY AND COSTS

INDEXES 1967=100 RATIO SCALES



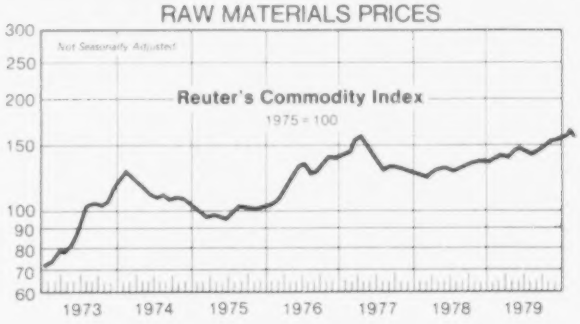
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH PREVIOUS YEAR

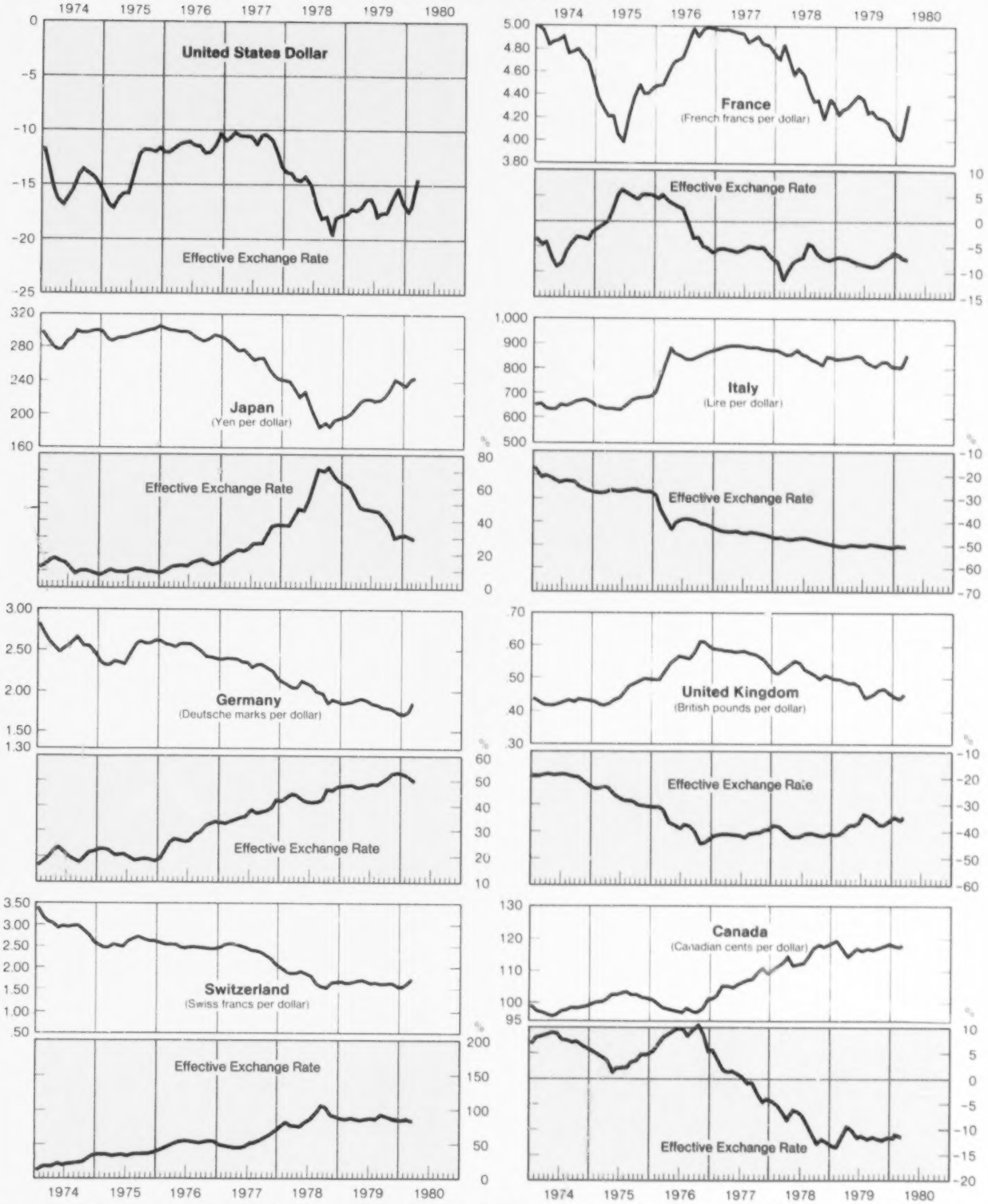


MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities based on monthly averages of daily rates.

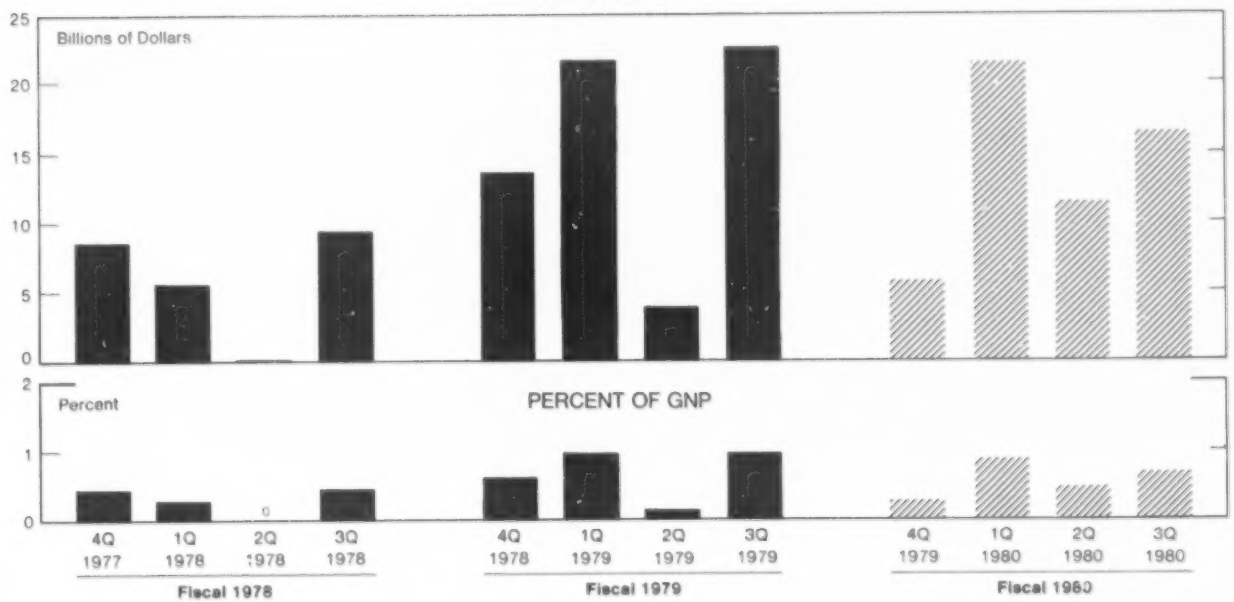
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Revised President's Proposal (1/28/80)	Latest President's Proposal (3/31/80)	Current Services (1/28/80)	Initial Proposal (1/28/80)	Latest President's Proposal (3/31/80)
Receipts	**$504.5**	**$523.8**	**$532.4**	**579.0**	**600.0**	**628.0**
Outlays	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Deficit	**−31.6**	**−39.5**	**−36.5**	**−33.0**	**−15.8**	**+16.5**
Receipts by source	**504.5**	**523.8**	**532.4**	**579.0**	**600.0**	**628.0**
Individual income taxes	229.6	238.7	241.5	273.3	274.4	279.9
Corporate income taxes	71.0	72.3	74.2	74.7	71.6	74.1
Social insurance	161.2	162.2	163.5	186.0	187.4	188.9
Other receipts	42.7	50.6	53.2	45.0	66.6	85.1
Outlays by function	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Income security	179.5	190.9	190.0	219.9	220.0	220.1
National defense	125.5	130.4	134.0	142.4	146.2	150.5
Health	55.1	56.6	56.5	63.4	62.4	61.9
Education and manpower	31.0	30.7	30.1	32.5	32.0	30.6
Veterans' benefits	20.4	20.8	20.7	21.7	21.7	21.4
Transportation	18.0	19.6	20.5	20.1	20.2	19.0
Natural resources and environment	11.8	12.8	12.8	12.8	12.8	12.5
Revenue sharing	9.2	8.7	8.8	8.5	9.6	7.4
International affairs	7.9	10.4	11.1	9.6	9.6	10.1
Community development	7.2	8.5	9.0	8.5	8.8	8.5
Energy	8.0	7.8	6.8	7.1	8.1	6.9
General science	5.4	5.9	5.9	6.3	6.4	6.2
General government	4.2	4.9	4.8	4.9	4.9	4.8
Justice	4.3	4.5	4.6	4.7	4.7	4.6
Agriculture	5.0	4.6	5.1	3.2	2.8	2.0
Commerce and housing credit	3.4	5.5	6.2	0.8	0.7	0.4
Interest	57.1	63.3	64.3	68.4	67.2	68.4
Allowances	2.1	0.1	—	2.4	2.6	1.4
Undistributed offsetting receipts	−19.0	−22.3	−22.2	−25.1	−25.2	−24.9

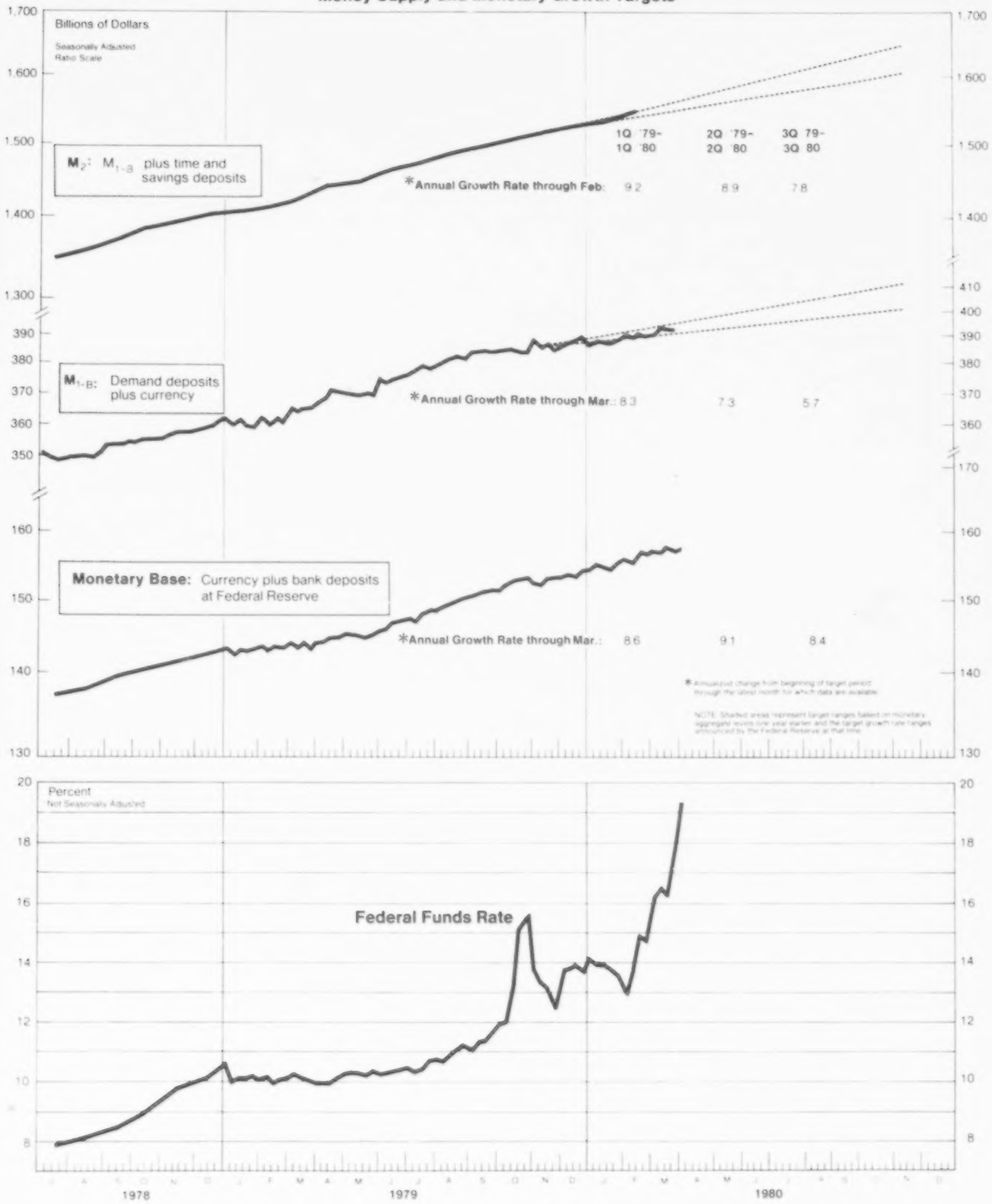
Sources: Office of Management and Budget, Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York, 1976.

Money Supply and Monetary Growth Targets

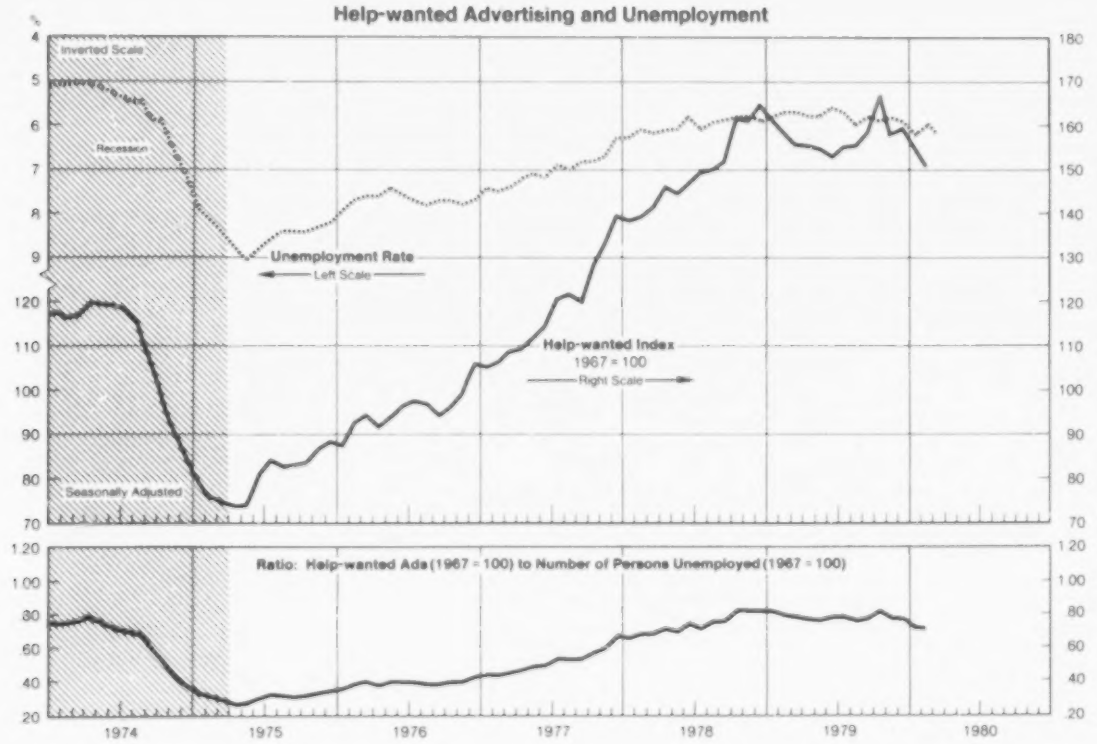


CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980		1979	
	Feb.	Jan.	Dec.	Feb.
Total Index 51 papers	151	154	159	158
New England	142	142	150	138
Boston	151	147	156	144
Hartford	161	168	177	151
Providence	95	99	106	108
Middle Atlantic	70	72	73	69
Albany	106	108	105	104
Allentown	148	179	141	157
New York	60	59	60	56
Philadelphia	63	65	71	61
Pittsburgh	100	100	104	104
Rochester	66	74	76	82
Syracuse	85	93	105	97
East North Central	102	104	114	134
Chicago	96	103	115	126
Cincinnati	150	143	160	175
Cleveland	100	94	100	128
Columbus	152	155	165	170
Dayton	88	89	94	109
Detroit	73	74	80	112
Gary	125	135	149	193
Indianapolis	120	121	128	155
Milwaukee	101	98	122	135
Toledo	124	129	131	167
West North Central	120	121	129	146
Kansas City	141	143	150	181
Minneapolis	146	146	164	161
Omaha	134	141	143	177
St. Louis	78	76	78	102
South Atlantic	162	160	163	149
Atlanta	243	245	250	226
Baltimore	107	106	109	95
Charlotte	134	145	140	134
Jacksonville	128	131	134	126
Miami	165	167	161	165
Richmond	113	109	112	110
Washington, D.C.	170	161	169	146
East South Central	146	152	157	163
Birmingham	162	174	177	193
Knoxville	216	226	228	204
Louisville	99	95	106	114
Memphis	127	132	125	122
Nashville	168	177	194	212
West South Central	293	311	321	300
Dallas	258	274	277	273
Houston	432	464	490	443
New Orleans	204	194	195	203
Oklahoma City	216	240	253	214
San Antonio	192	189	183	180
Tulsa	232	262	n.a.	238
Mountain	338	356	369	369
Denver	291	297	302	315
Phoenix	378	404	422	413
Salt Lake City	372	402	423	411
Pacific	231	233	232	217
Los Angeles	211	211	209	200
Sacramento	338	313	315	294
San Bernardino	174	182	192	181
San Diego	360	369	361	346
San Francisco	215	225	223	191
Seattle	247	253	251	250
Percentage of papers with rising volume	24%	20%	55%	29%
Unemployment rate	6.0%	6.2%	5.9%	5.7%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4r	71.9p									

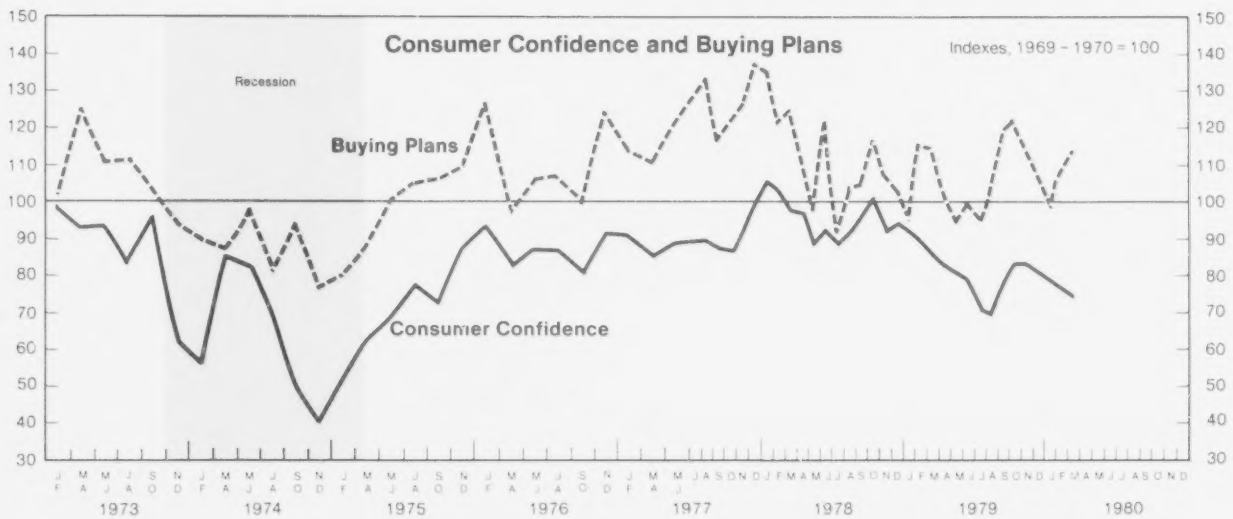
Buying Plans Index

1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0r	114.0p									

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised



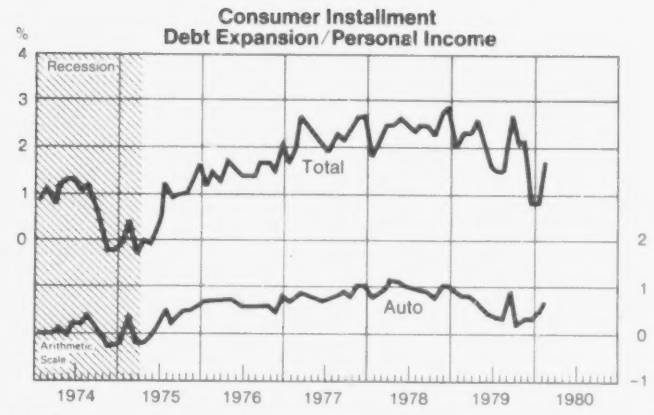
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

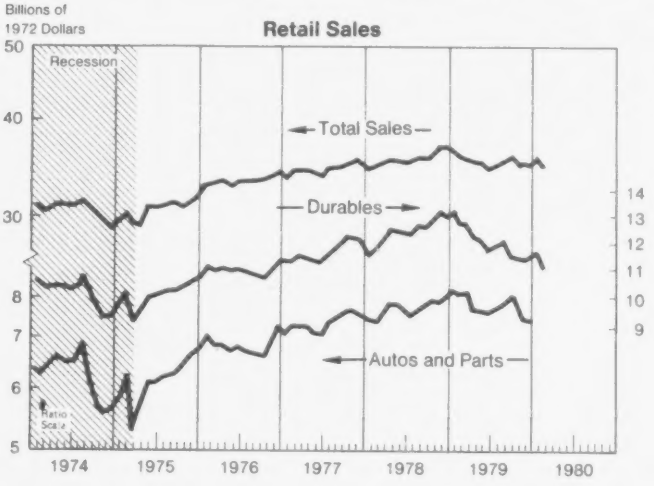
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised



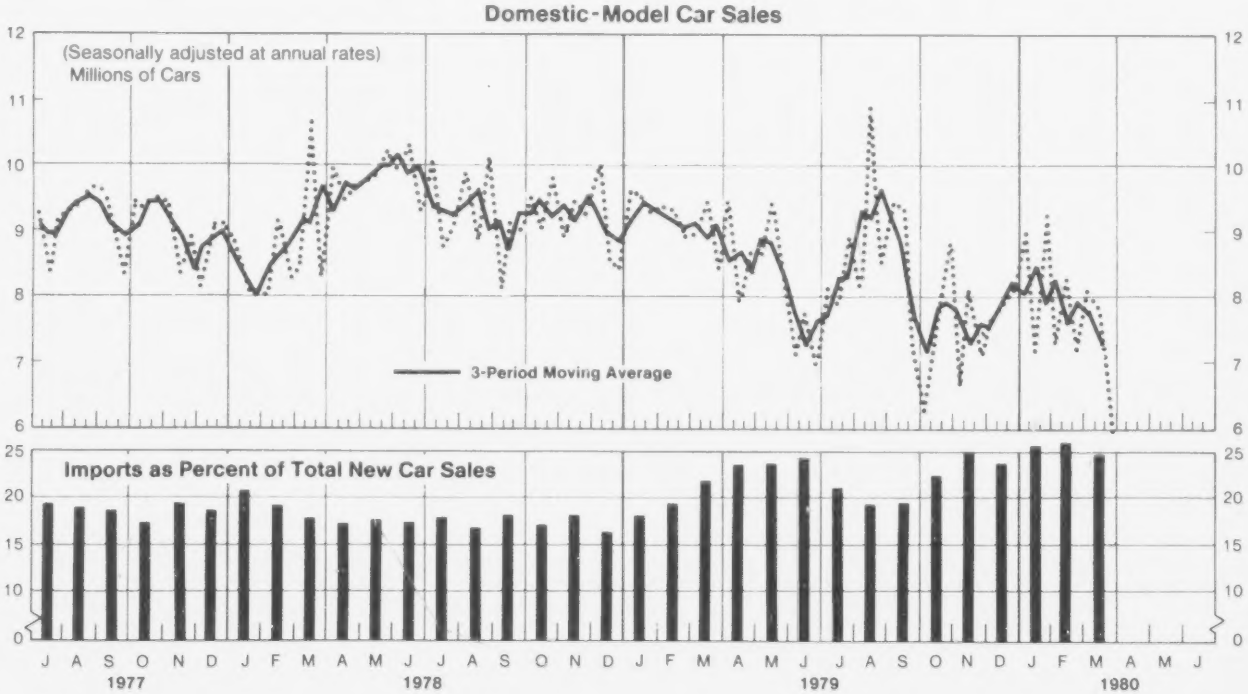


CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.88	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.41	
	11-20	9.25	9.44	7.90	
	21-30	9.00	9.64	8.61	
May:	1-10	9.21	9.72	8.63	
	11-20	8.84	9.85	7.44	
	21-31	9.04	10.22	8.42	
June:	1-10	9.75	9.94	7.12	
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and imported foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.



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STATISTICAL BULLETIN

Volume 13 No. 5, May, 1980

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THE CONFERENCE BOARD

STATISTICAL REFERENCE INDEX
ACQUISITIONS
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comment Successive hikes in the cost of borrowing have raised real interest rates—the rate of interest relative to the rate of inflation—to such heights as to discourage borrowing. For consumers, who had already been curbing their appetite for credit, higher interest rates have been an added disincentive. The major impact has probably been on business borrowing, especially for expansion of facilities. The slowdown of activity in both consumer and capital markets over the last few weeks has helped to ease inflationary pressures. The slowing of both credit expansion and inflation has provided some latitude for interest rates to move down from their peak levels.

As indicated on the *Status of Leading Economic Indicators* table, the change in business loans in April was almost half what it had been only three months earl er. The table also shows that orders for plant and equipment are declining. While the need to modernize and expand facilities remains great, current market conditions presumably favor delaying capital investment projects.

Only last month, we said in this space that the surge in consumer borrowing in February was probably a final burst of heavy credit use. In March, not only had interest rates risen sharply, where not restricted by law, but credit availability had been constrained by the Federal Reserve's policy actions aimed explicitly at slowing consumer credit growth. As the chart on *Consumer Installment Debt Expansion/Personal Income* shows, by March credit use dropped to levels last seen in early 1975, during the previous recession. Furthermore, the real purchasing power of consumers' income has been eroding steadily over most of the last two years, as indicated on the *Key Determinants of Profit Margins* chart. The combination of high inflation (eroding spending power), high interest rates (restricting borrowing ability), and the possibility of losing one's job in the recession has led to a sharp decline in consumers' attitudes. The Conference Board's *Consumer Confidence Index* dropped to 53.2 (1969-1970 = 100) in April, not much above the cyclical trough reached at the end of 1974.

Consumer spending has been weakening for more than a year: Retail sales, adjusted for inflation, were 6.6% lower in March, 1980 than in January, 1979. The weakening in spending on cyclically sensitive durable goods has been even more severe. New Domestic *Automobile Sales* have been affected not only by the weakness of consumer demand but also by a marked increase in demand for foreign models. Sales of new domestic models are as low now as they were in the middle of the last recession, while the import share of the market for new cars is at an all-time high.

With sales volume declining, whether for consumer or capital goods, production planners have been faced with a choice of altering schedules or accumulating inventory, or both. Indeed, there has been some piling up of inventories but it is also true that the process of scaling back production is under way. The industrial production index fell in both February and March. And capacity utilization rates have been dropping. In fact, by February, the utilization rates for both primary and advanced processing industries, as well as the rate for durable goods manufacturing, had moved below the 85-90% generally regarded as the effective maximum range.

While production cutbacks have become more widespread only in the last two months or so, new hiring has been declining since last Fall. The Conference Board's *Help-wanted Index* was 13% lower in March than in October, 1979.

In sum, all of the economic statistics indicate that the long-awaited recession has begun. The composite index of *Leading Economic Indicators* continued to fall in March and was 8.3% below its peak of last March. A decline of this duration and magnitude strongly suggests that the slowing down of activity will continue for some months. All but one of the *Economic Forecasts* are in agreement that a recession is beginning in the second quarter of this year and will continue for the remainder of the year. In fact, three of the forecasts indicate that the recession will not end until the first quarter of 1981.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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The median of the forecasts says that real output is declining by a seasonally adjusted 3.2% annual rate in the current quarter and will continue to fall at that pace in the third quarter. The median rate of decline subsides to only 1.0% in the fourth quarter, followed by an advance at a very sluggish 1.6% rate in the first quarter of 1981. In the second quarter of 1981, a new expansionary phase is expected to be fully under way with growth rates at or above the long-term trend through the first quarter of 1982.

The median quarterly rates of decline from this month's *Economic Forecasts* are significantly steeper than those of only one or two months ago. The implication seems to be retreat from earlier views that this recession would be relatively short and mild. Indeed, the warnings that the longer it took for the recession to develop, the longer the corrective process, now seem to have hit the mark. The economy ran close to its effective capacity for about a year-and-a-half. That certainly was a sufficient length of time to develop strained supply conditions. Also, as indicated on the *Selective International Comparisons* charts, the economies of our major trading partners are considerably more sluggish at present than they were a year ago. The implication here is that if the recession had developed earlier, international trading conditions would have had an offsetting effect through foreign demand for U.S. products. But that is less likely now.

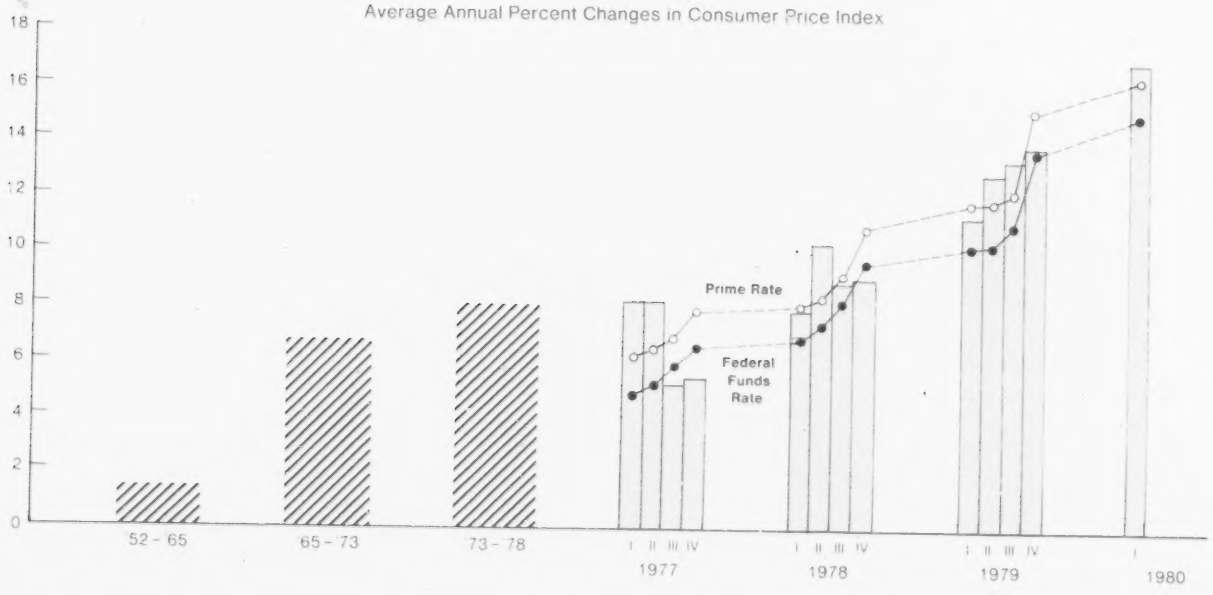
The general view expressed in the *Economic Forecasts* now is that this recession is likely to be more severe than the 1969-1970 experience but will not approach the severity of the 1974-1975 experience. The level of inventory/sales ratios this Spring is significantly lower than was the case in 1974. The record-high interest rates are likely to blunt any sizable run-up in inventories. Hence, the decline in production in this recession will probably be more closely related to weakening of final sales. Therefore, given the steep drop in consumer attitudes as well as the delaying of capital investment, the drop from the peak rate of activity in this recession could develop quite rapidly.

In the expansion of 1975-1979, employment rose almost as fast as real output; that is to say, productivity gains were sluggish at best (see the *Key Determinants of Profit Margins* chart). The decline in production, then, which could be quite rapid, will likely result in sizable layoffs early in the recession. That fact, together with continued high growth in the labor force, could lead to sharp increases in unemployment. Indeed, the unemployment rate shot up to 7% in April from 6.2% in March. The medium of the *Economic Forecasts* is still for a rate of unemployment of 8% in the first quarter of next year before it starts to ease. The most pessimistic forecasts, however, now peg the unemployment rate at a peak of 9-9½%—which would put it close to levels recorded in the 1974-1975 recession.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index



STATUS OF LEADING ECONOMIC INDICATORS

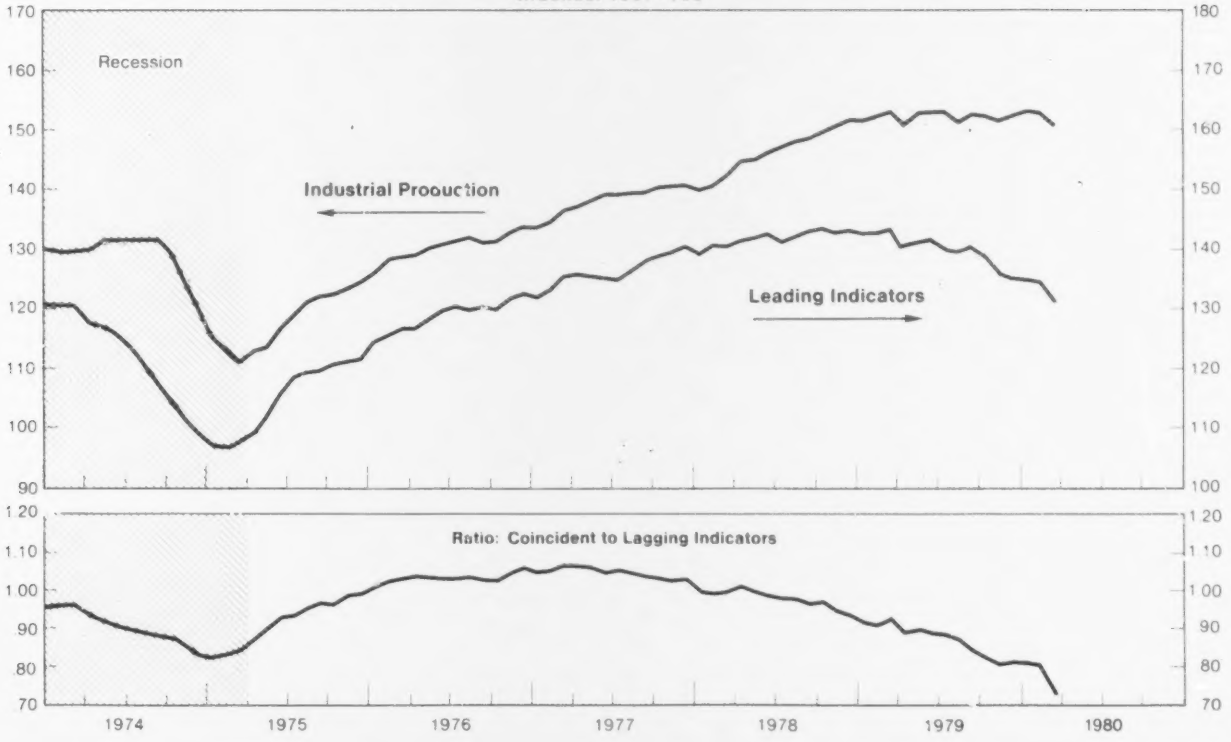
		Rising	Level	Declining	Change over latest three months	Change From Year Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.			X	—3.0%	— 8.3%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Mar.			X	— 5.4%	—11.0%
New orders, nondefense capital goods (deflated)	Mar.		X		— 0.9%	—12.3%
*Net business formation	Jan.		X		— 1.8%	— 0.2%
*Housing permits	Mar.			X	—25.1%	—14.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.			X	— 3.3%	—15.8%
*Change in inventory, on hand & order (deflated)	Feb.		X		— 0.8%	—33.2%
Purchasing agents' buying policy	Apr.			X	— 6 %	—10 %
*Vendor performance, reported slower deliveries	Mar.			X	— 8.2%	—42.3%
Industrial raw materials prices	Apr.			X	— 4.2%	+ 2.9%
*Change in sensitive prices	Mar.			X	— 0.3%	— 0.1%
Sensitive Financial Flows						
*Money balance (M1-B deflated)	Mar.			X	— 2.4%	— 5.1%
Change in business loans	Apr.			X	—45.2%	—29.3%
*Change in liquid assets	Mar.	X			+ 0.1%	0.0%
Change in consumer installment debt	Feb.		X		+ 6.0%	— 7.8%
Profitability						
Total corporate profits, after tax (deflated)	4th Q			X	— 1.4%	+ 3.0%
*Common stock prices	Apr.			X	— 7.3%	+ 0.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	Mar.			X	— 0.4hr	— 1.0hr
Initial unemployment claims (inverted)	Mar.			X	— 8.1%	—26.8%
*Layoff rate, mfg. (inverted)	Mar.			X	— 0.3	— 0.6

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C., Government Printing Office) November, 1975, page V.

*These twelve series make up the Composite Leading Index charted below.

Economic Indicators

Indexes: 1967=100



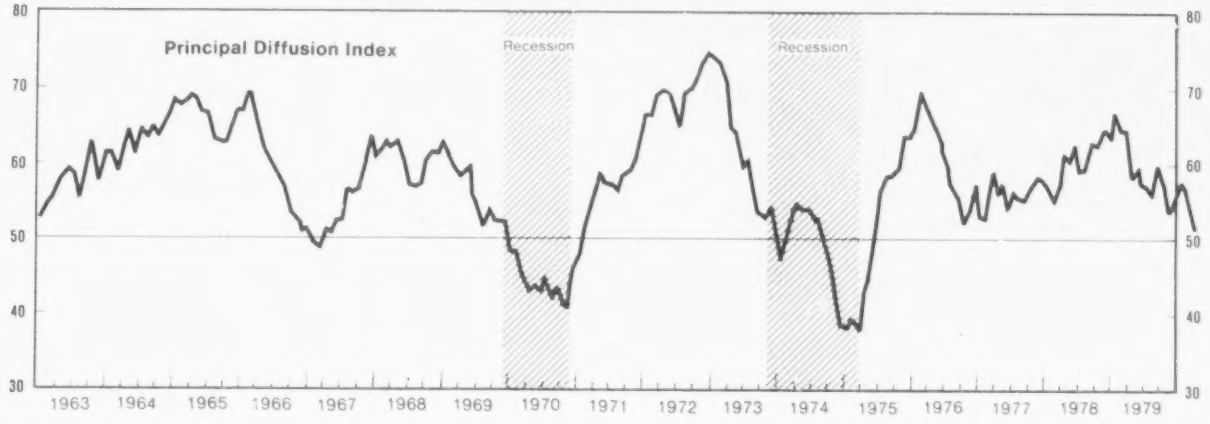
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 Mar.	1979 Dec.	1980 Jan.	1980 Feb.	1980 Mar.(e)
Principal Diffusion Index	63.4	55.0	57.3	55.7r	51.0
Auxiliary Diffusion Index	48.0	55.4	57.5	44.6r	34.8
Industrial Group	60.7	48.7	50.7	47.9r	43.7
Nonindustrial Group	66.2	61.4	64.0	63.5	58.3
Sense of Diffusion	1.0	0	1.0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	72.9	47.4	55.6	55.1r	51.9
Labor	53.3	50.6	49.9	47.6	40.8
Miscellaneous	60.9	45.5	45.5	37.8r	38.5
Nonindustrial Subgroups					
Prices	72.4	67.3	71.8	76.3	64.7
Consumer	85.0	73.1	77.4	76.1r	69.7
Building	53.8	46.2	46.8	39.7r	37.2
Miscellaneous	51.3	56.0	56.8	58.1r	56.8

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977 Aug.	1977 Nov.	1978 Feb.	1978 May	1978 Aug.	1978 Nov.	1979 Feb.	1979 May	1979 Aug.	1979 Nov.	1980 Feb.
	Score (scale 0-100)										
Measure of Business Confidence	59	52	52	58	49	40	43	41	32	32	40
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	46	60	58	45	47	47	28	29	36
2. Expectations for Economy, Six Months Ahead	56	49	49	54	42	33	36	33	29	29	38
3. Expectations for Own Industry, Six Months Ahead	60	58	59	60	49	43	46	43	39	38	45

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

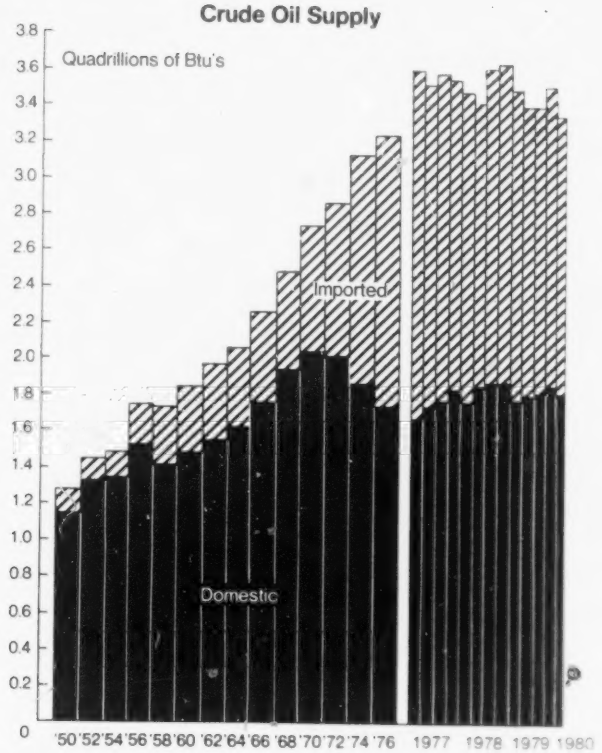
CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

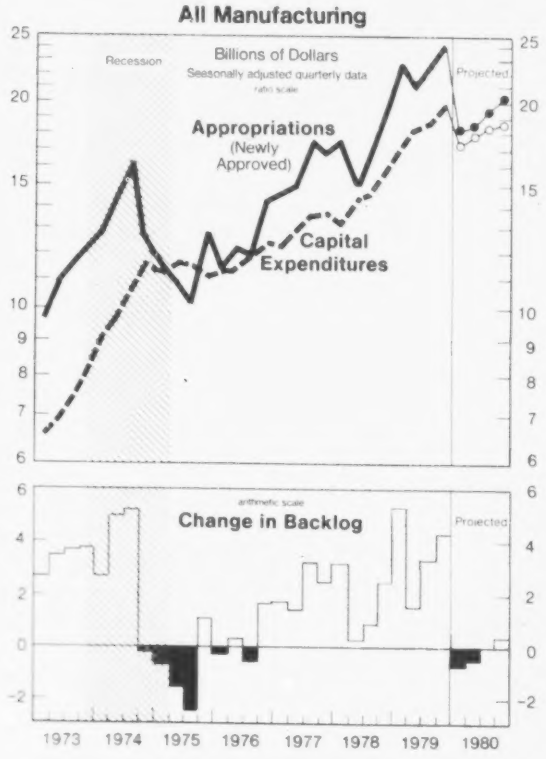
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
				PROJECTIONS							
	II	IIIr	IVp	I	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	21.033	22.552	24.517	18.2	18.6	19.6	20.2	20.7	21.3	21.9	22.3
Capital expenditures	18.027	18.678	20.095	17.3	17.9	18.3	18.6	18.6	18.9	18.9	19.1
Change in appropriations backlog	+ 1.468	+ 3.431	+ 4.269	−0.7	−0.5	0.0	+ 0.3	+ 0.8	+ 1.1	+ 1.7	+ 1.9
Durable Goods											
Newly approved	10.672	10.384	12.153	8.4	8.3	8.3	8.5	8.8	9.1	9.3	9.6
Capital expenditures	8.379	9.126	9.721	8.7	8.6	8.6	8.3	8.1	7.7	7.6	7.5
Change in appropriations backlog	+ 1.970	+ 1.182	+ 2.555								
Nondurable Goods											
Newly approved	10.361	12.168	12.364	9.8	10.2	11.3	11.8	11.9	12.2	12.6	12.7
Capital expenditures	9.648	9.552	10.374	8.7	9.3	9.7	10.2	10.6	11.2	11.3	11.5
Change in appropriations backlog	−0.502	+ 2.249	+ 1.714								
ELECTRIC & GAS UTILITIES											
Appropriations	6.763r	10.913	8.809								
Capital expenditures	7.149r	7.139	6.994								
Change in appropriations backlog	−1.737r	+ 3.276	−7.236								

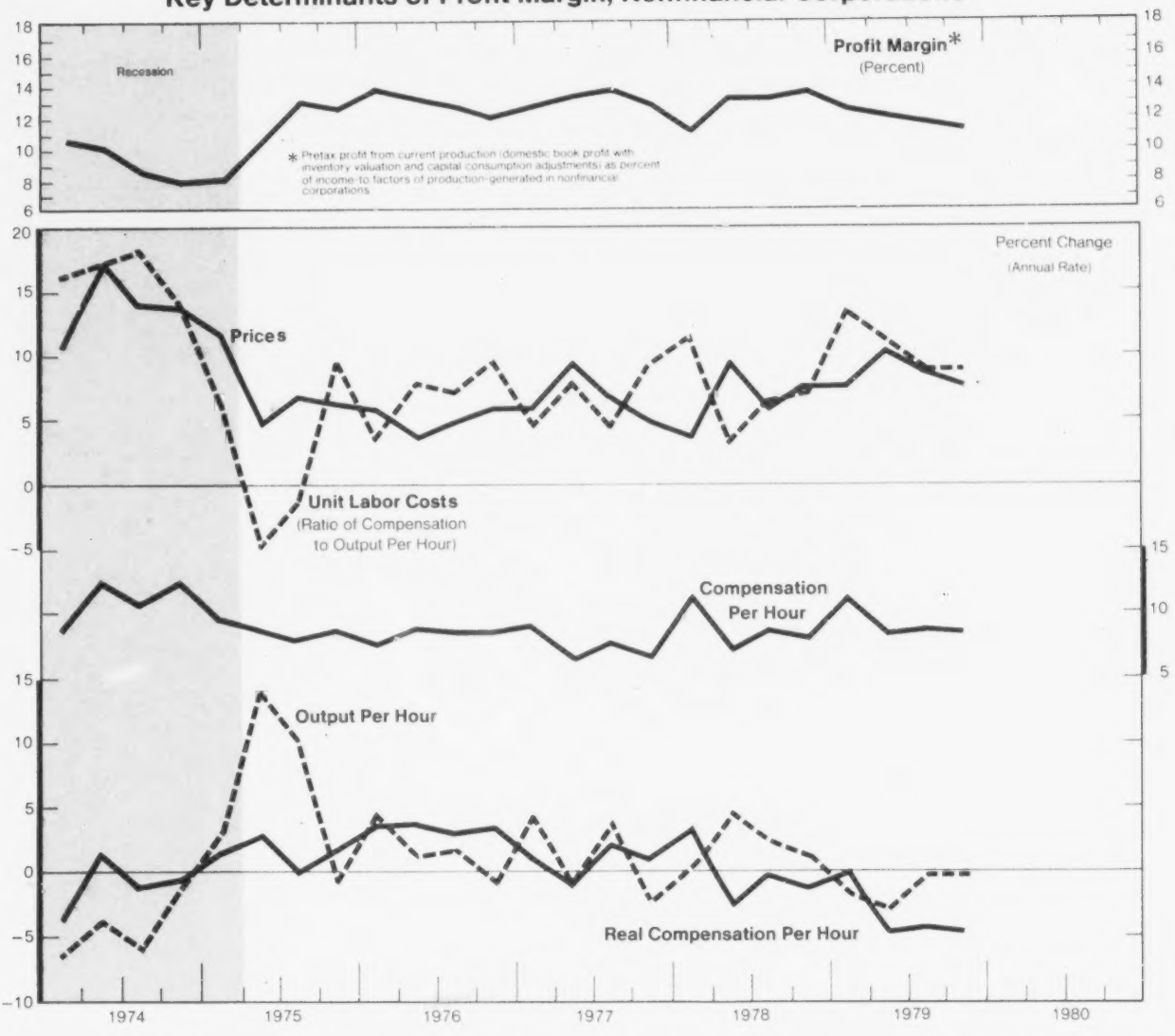
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model. Data for utilities are revised for 1978 and 1979.

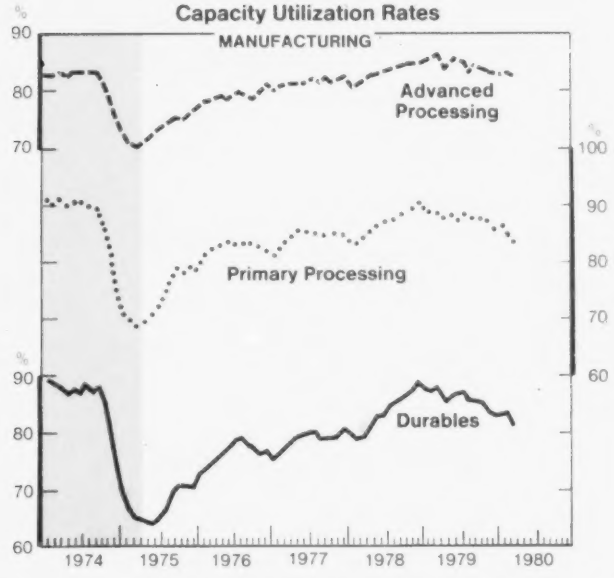
r—revised p—preliminary





Key Determinants of Profit Margin, Nonfinancial Corporations





Seasonally Adjusted

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[2]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*April, 1980*		*April, 1980*		*April, 1980*		*April, 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**I**	**$2520.3**	**10.7%**	**$2520.3**	**10.7%**	**$2520.3**	**10.7%**		
Forecast	1980	II	2560.1	6.5	2537.9	2.8	2591.6	11.8	$2581.3	7.9%
		III	2582.6	3.6	2544.9	1.1	2684.1	15.1	2639.2	9.3
		IV	2613.0	4.8	2585.9	6.6	2775.4	14.3	2693.0	8.4
	1981	I	2667.7	8.6	2628.1	6.7	2851.7	11.5	2740.4	7.2
		II	2741.1	11.5	2704.5	12.1	2937.8	12.6	2798.2	8.7
		III	2828.2	13.3	2786.3	12.7	3054.7	16.9	2865.0	9.9
		IV	2930.7	15.3	2877.9	13.8	3120.8	8.9		
	1982	I			2962.6	12.3	3218.8	13.2		
	1980	Annual	2569.0	8.5	2547.2	7.5	2642.8	11.6	2611.5	10.2
	1981	Annual	2791.9	8.7	2749.2	7.9	2991.2	13.2		
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**I**	**$1444.2**	**1.1%**	**$1444.2**	**1.1%**	**$1444.2**	**1.1%**		
Forecast	1980	II	1435.4	−2.4	1425.6	−5.1	1439.0	−1.4	$1435.3	−3.2%
		III	1411.8	−6.4	1401.3	−6.6	1439.8	0.2	1432.3	−0.8
		IV	1396.9	−4.1	1394.9	−1.8	1443.1	0.9	1430.0	−0.6
	1981	I	1399.1	0.6	1393.2	−0.5	1457.8	4.1	1427.4	−0.7
		II	1409.5	3.0	1410.7	5.1	1470.4	3.5	1429.2	0.5
		III	1426.8	5.0	1430.9	5.9	1484.3	3.8	1436.1	1.9
		IV	1450.0	6.7	1450.1	5.5	1490.2	1.6		
	1982	I			1466.2	4.5	1498.5	2.2		
	1980	Annual	1422.1	0.7	1416.5	−1.1	1441.5	−0.7	1436.2	0.3
	1981	Annual	1421.4	0.0	1421.2	0.3	1475.7	2.4		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**I**	**174.5**	**9.5%**	**174.5**	**9.5%**	**174.5**	**9.5%**		
Forecast	1980	II	178.4	9.1	178.0	8.3	180.1	13.4	179.8	11.5
		III	182.9	10.7	181.6	8.3	186.4	14.8	184.3	10.2
		IV	187.1	9.3	185.4	8.6	192.3	13.3	188.3	9.1
	1981	I	190.7	8.0	188.6	7.2	195.6	7.0	192.0	3.0
		II	194.5	8.2	191.7	6.7	199.8	8.8	195.8	8.2
		III	198.2	7.9	194.7	6.4	205.8	12.6	199.5	7.8
		IV	202.1	8.1	198.5	7.9	209.4	7.2		
	1982	I			202.1	7.5	214.8	10.7		
	1980	Annual	180.7	9.2	179.9	8.7	183.3	10.5	181.9	9.9
	1981	Annual	196.4	8.7	193.4	7.5	202.7	10.5		
Unemployment Rate										
Actual	**1980**	**I**	**6.1%**		**6.1%**		**6.1%**			
Forecast	1980	II	7.2		7.2		6.6		6.5%	
		III	8.0		8.0		6.8		7.0	
		IV	8.7		8.7		6.7		7.4	
	1981	I	9.0		9.3		6.6		7.8	
		II	9.0		9.4		6.5		8.2	
		III	8.9		9.2		6.5		8.4	
		IV	8.6		8.9		6.4			
	1982	I			8.5		6.3			
	1980	Annual	7.5		7.5		6.6		6.8	
	1981	Annual	8.9		9.2		6.5			

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (second revision) 4th quarter data.

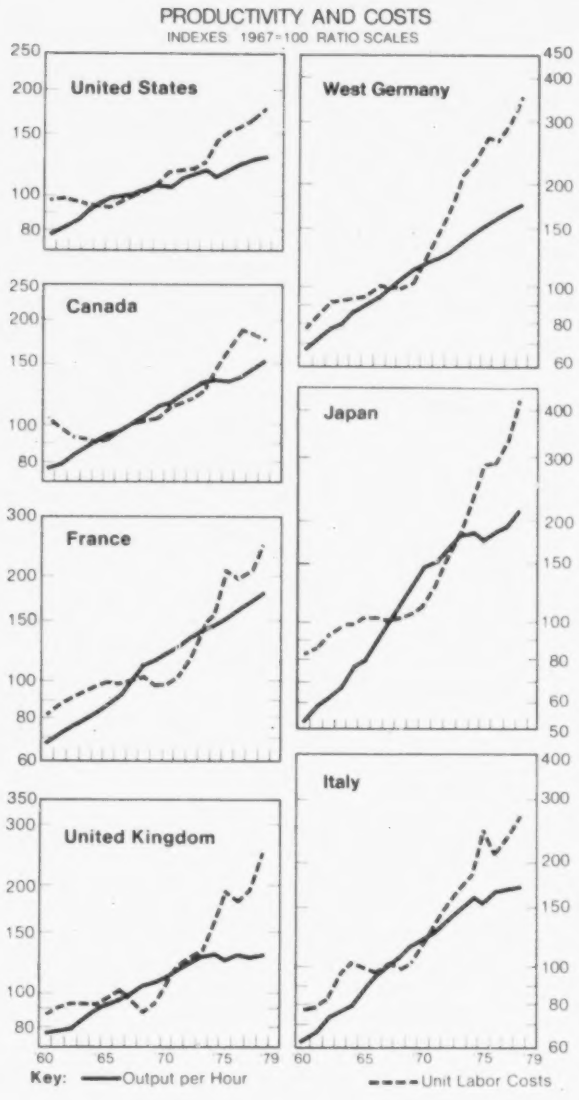
[2]Based on preliminary first quarter data.

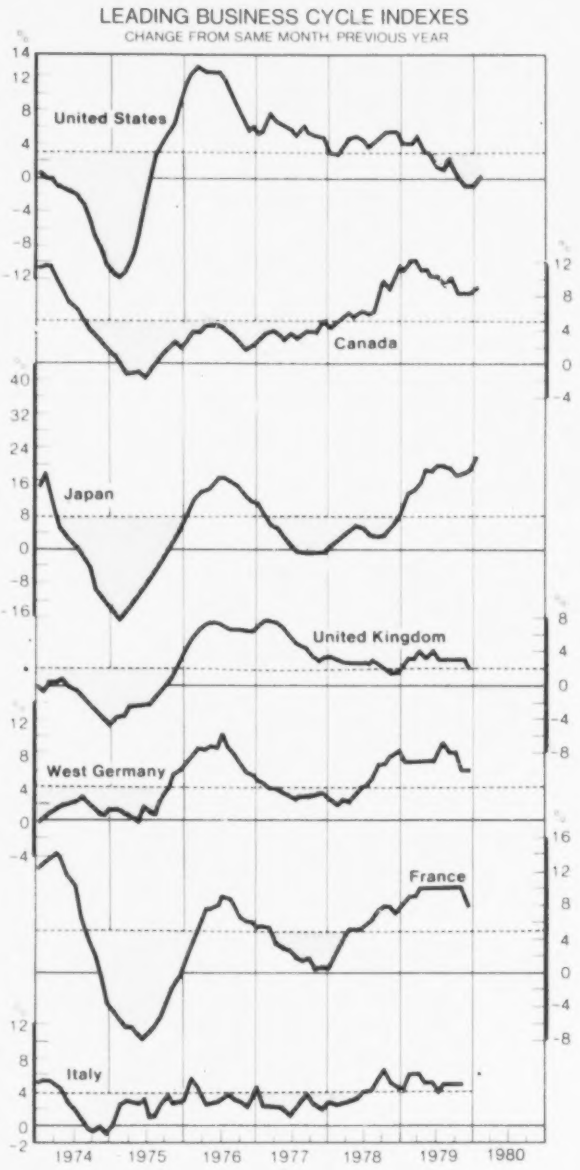
ECONOMIC FORECASTS (continued)

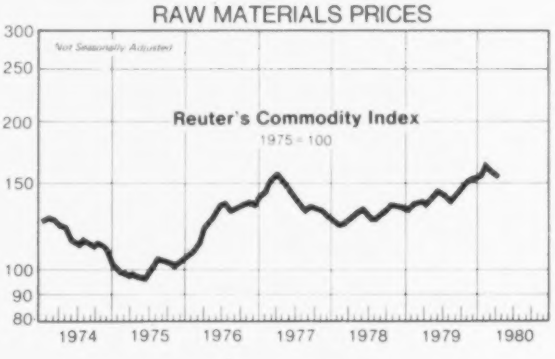
The Conference Board[2]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[4]		Wharton E.F.A. Inc.[5]				
April, 1980		*April, 1980*		*April, 1980*		*April, 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
$2520.3	**10.7%**	**$2520.3**	**10.7%**	**$2520.3**	**10.7%**	**$2520.3**	**10.7%**	**I**	**1980**	**Actual**
2520.0	0.0	2545.9	4.1	2553.2	5.3	2555.0	5.6	II	1980	Forecast
2538.0	2.9	2561.6	2.5	2597.6	7.1	2600.0	7.2	III		
2570.0	5.1	2609.6	7.7	2654.6	9.1	2658.4	9.3	IV		
2627.0	9.2	2686.2	12.3	2718.2	9.9	2736.6	12.3	I	1981	
2725.0	15.8	2769.8	13.0	2806.7	13.7	2804.9	10.4	II		
2800.0	11.5	2844.6	11.2	2920.6	17.2	2881.0	11.3	III		
2878.0	11.6	2933.9	13.2	3033.3	16.4	2968.8	12.8	IV		
		3015.6	11.6	3133.2	13.8	3054.5	12.1	I	1982	
2537.1	7.1	2559.3	8.0	2581.4	9.0	2583.4	9.1	Annual	1980	
2757.5	8.7	2808.6	9.7	2869.7	11.2	2847.8	10.2	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1444.2	**1.1%**	**$1444.2**	**1.1%**	**$1444.2**	**1.1%**	**$1444.2**	**1.1%**	**I**	**1980**	**Actual**
1412.6	−8.5	1423.0	−5.7	1426.3	−4.9	1435.0	−2.5	II	1980	Forecast
1394.7	−5.0	1402.3	−5.7	1414.5	−3.3	1428.7	−1.7	III		
1385.8	−2.5	1398.9	−1.0	1409.7	−1.4	1426.7	−0.6	IV		
1391.2	1.6	1404.8	1.7	1408.9	−0.2	1433.4	1.9	I	1981	
1416.8	7.6	1414.9	2.9	1420.0	3.2	1438.5	1.4	II		
1430.6	4.0	1424.1	2.6	1442.7	6.5	1448.4	2.8	III		
1444.9	4.1	1435.6	3.3	1461.2	5.2	1461.7	3.7	IV		
		1444.9	2.6	1474.9	3.8	1475.5	3.8	I	1982	
1409.3	−1.6	1417.1	−1.0	1423.7	−0.6	1433.6	0.1	Annual	1980	
1420.9	0.8	1419.8	0.2	1433.2	0.7	1445.5	0.8	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
174.5	**9.5%**	**174.5**	**9.5%**	**174.5**	**9.5%**	**174.5**	**9.5%**	**I**	**1980**	**Actual**
178.4	9.2	178.9	10.5	179.0	10.7	178.0	8.4	II	1980	Forecast
182.0	8.3	182.7	8.7	183.6	10.8	182.0	9.1	III		
185.5	7.9	186.5	8.8	188.3	10.6	186.3	9.9	IV		
188.8	7.5	191.2	10.4	192.9	10.2	190.9	10.2	I	1981	
192.3	7.6	195.8	9.8	197.7	10.2	195.0	8.8	II		
195.7	7.2	199.7	8.4	202.4	10.0	198.9	8.3	III		
199.2	7.3	204.4	9.6	207.6	10.6	203.1	8.7	IV		
		208.7	8.8	212.4	9.7	207.0	7.9	I	1982	
180.1	8.8	180.7	9.2	181.4	9.6	180.2	8.9	Annual	1980	
194.0	7.7	197.8	9.5	200.2	10.4	197.0	9.3	Annual	1981	
								Unemployment Rate		
6.1%		**6.1%**		**6.1%**		**6.1%**		**I**	**1980**	**Actual**
7.3		6.8		6.6		6.5		II	1980	Forecast
8.2		7.5		7.0		6.9		III		
8.4		8.1		7.4		7.2		IV		
8.2		8.3		7.8		7.3		I	1981	
7.8		8.2		8.0		7.5		II		
7.7		8.2		8.0		7.5		III		
7.5		8.1		7.9		7.4		IV		
		7.9		7.7		7.2		I	1982	
7.5		7.1		6.8		6.7		Annual	1980	
7.8		8.2		7.9		7.4		Annual	1981	

Please Note. In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

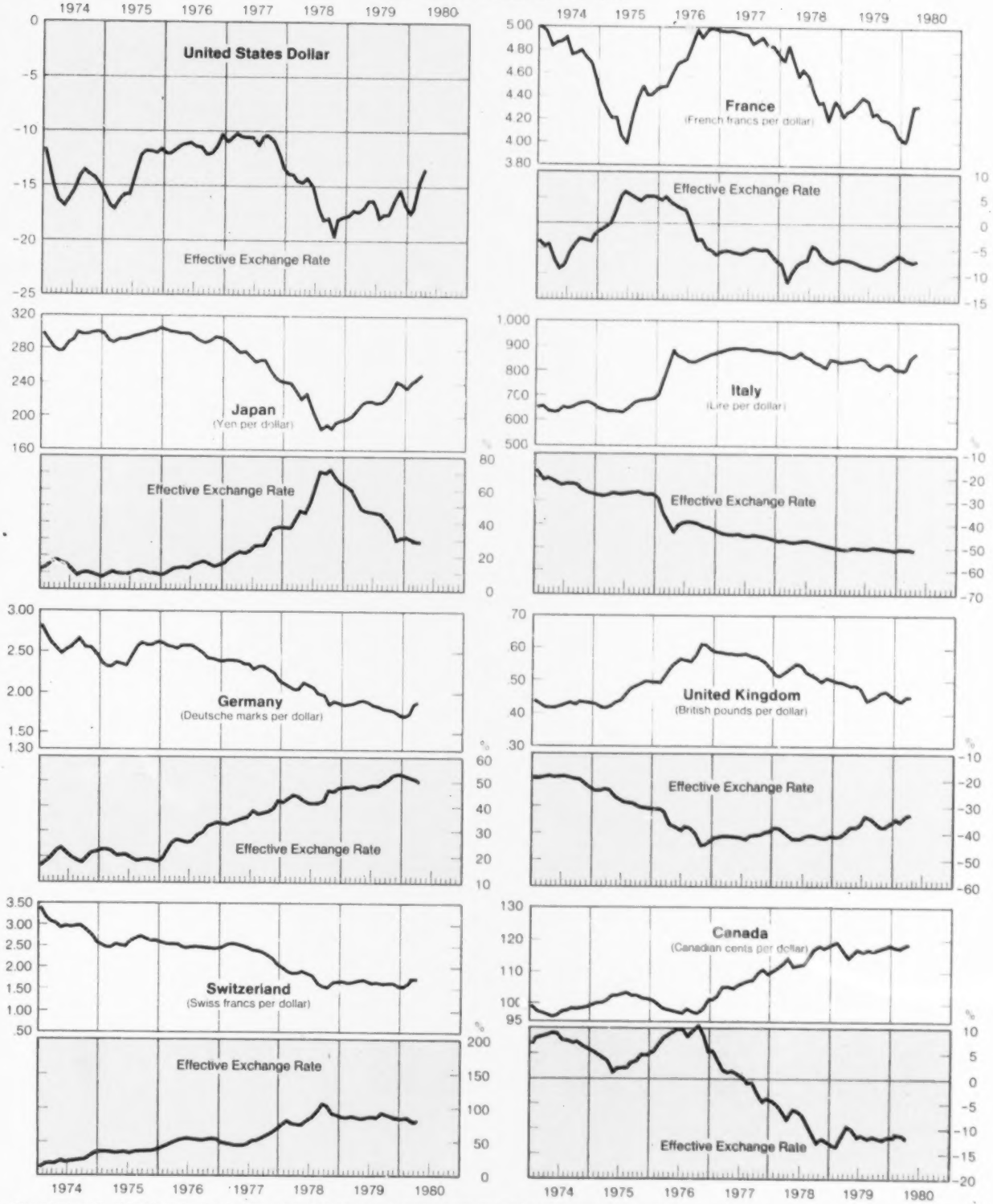
SELECTED INTERNATIONAL COMPARISONS







FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities based on monthly averages of daily rates.

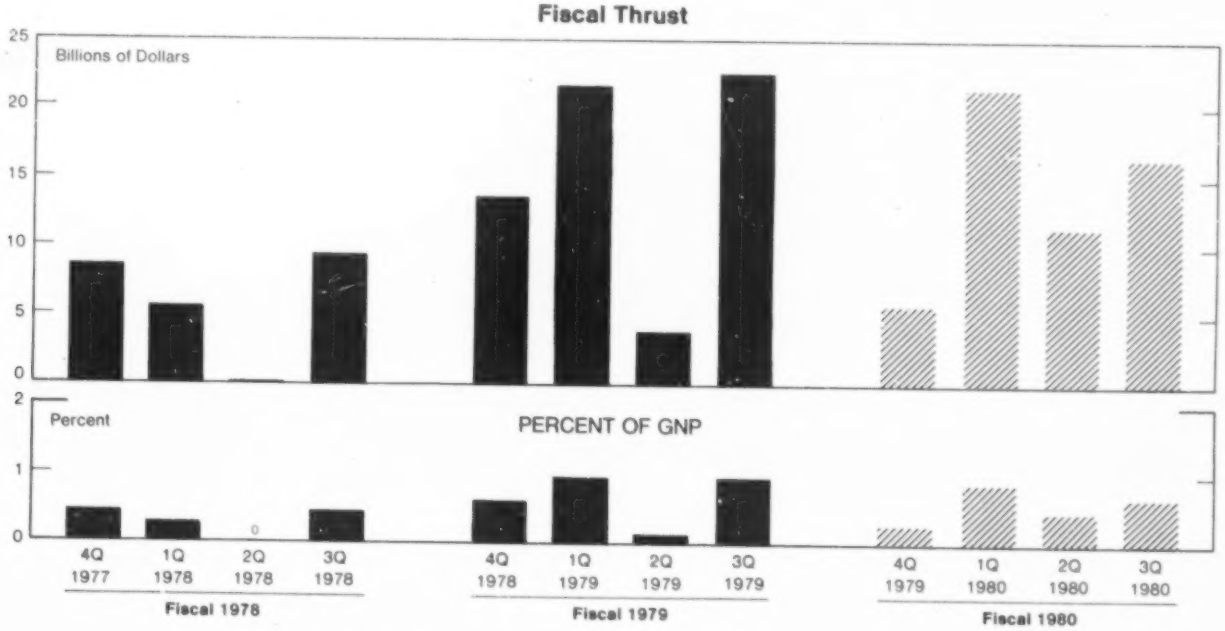
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Revised President's Proposal (1/28/80)	Latest President's Proposal (3/31/80)	Current Services (1/28/80)	Initial Proposal (1/28/80)	Latest President's Proposal (3/31/80)
Receipts	**$504.5**	**$523.8**	**$532.4**	579.0	600.0	628.0
Outlays	**536.1**	**563.6**	**568.9**	612.0	615.8	611.5
Deficit	**−31.6**	**−39.8**	**−36.5**	−33.0	−15.8	+ 16.5
Receipts by source	**504.5**	**523.8**	**532.4**	579.0	600.0	628.0
Individual income taxes	229.6	238.7	241.5	273.3	274.4	279.9
Corporate income taxes	71.0	72.3	74.2	74.7	71.6	74.1
Social insurance	161.2	162.2	163.5	186.0	187.4	188.9
Other receipts	42.7	50.6	53.2	45.0	66.6	85.1
Outlays by function	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Income security	179.5	190.9	190.0	219.9	220.0	220.1
National defense	125.5	130.4	134.0	142.4	146.2	150.5
Health	55.1	56.6	56.5	63.4	62.4	61.9
Education and manpower	31.0	30.7	30.1	32.5	32.0	30.6
Veterans' benefits	20.4	20.8	20.7	21.7	21.7	21.4
Transportation	18.0	19.6	20.5	20.1	20.2	19.0
Natural resources and environment	11.8	12.8	12.8	12.8	12.8	12.5
Revenue sharing	9.2	8.7	8.8	8.5	9.6	7.4
International affairs	7.9	10.4	11.1	9.6	9.6	10.1
Community development	7.2	8.5	9.0	8.5	8.8	8.5
Energy	8.0	7.8	6.8	7.1	8.1	6.9
General science	5.4	5.9	5.9	6.3	6.4	6.2
General government	4.2	4.9	4.8	4.9	4.9	4.8
Justice	4.3	4.5	4.6	4.7	4.7	4.6
Agriculture	5.0	4.6	5.1	3.2	2.8	2.0
Commerce and housing credit	3.4	5.5	6.2	0.8	0.7	0.4
Interest	57.1	63.3	64.3	68.4	67.2	68.4
Allowances	2.1	0.1	—	2.4	2.6	1.4
Undistributed offsetting receipts	−19.0	−22.3	−22.2	−25.1	−25.2	−24.9

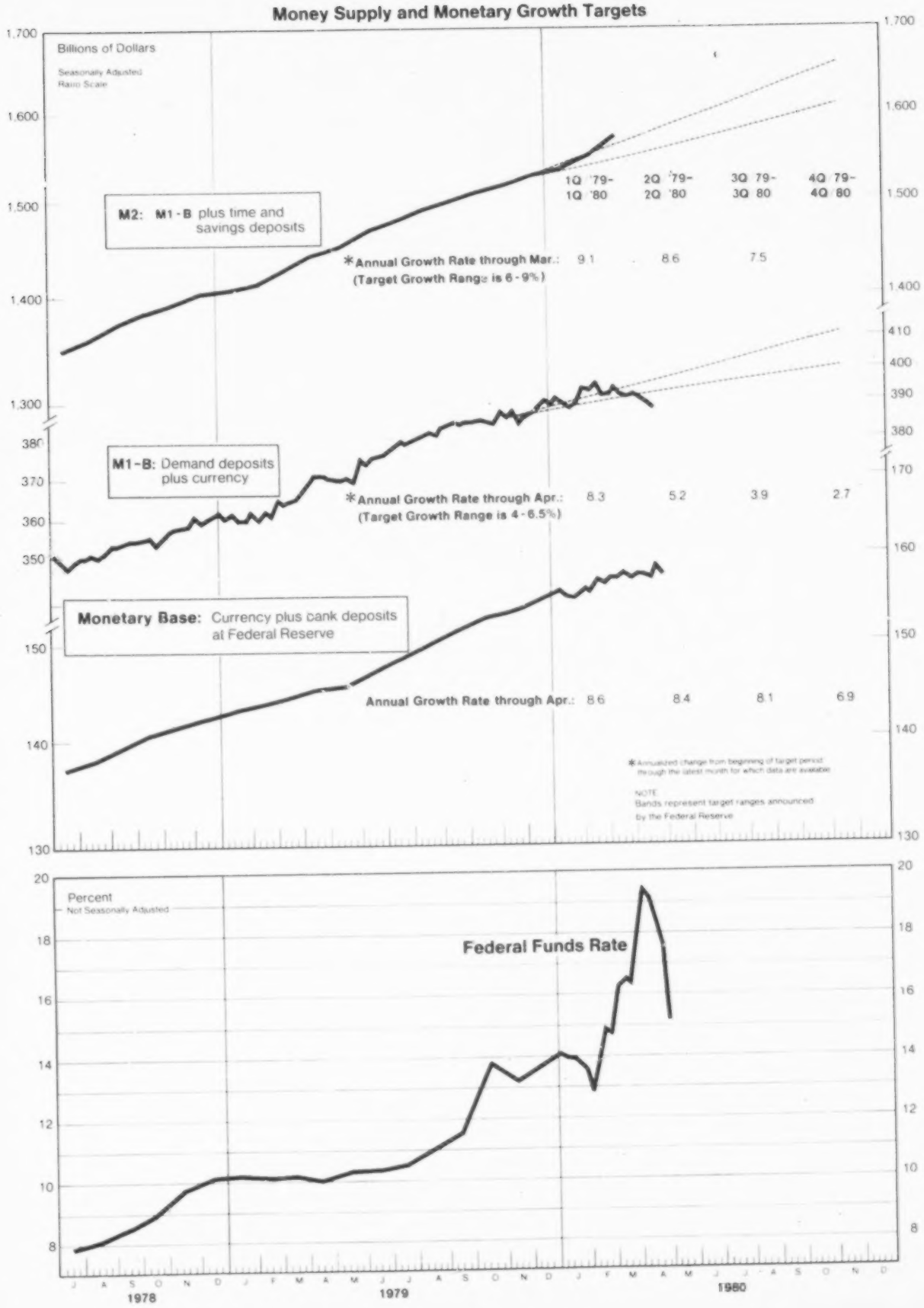
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York, 1976.

Money Supply and Monetary Growth Targets



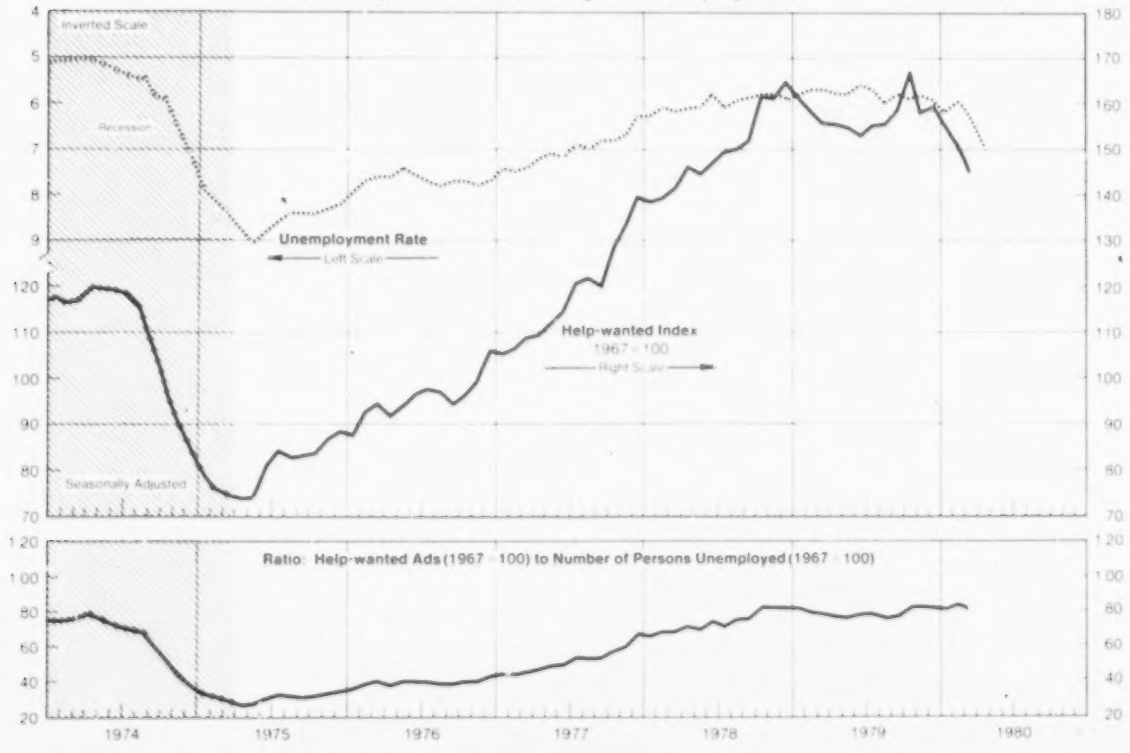
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	Mar.	Feb.	Jan.	Mar.
Total Index 51 papers	145	151	154	156
New England	134	142	142	132
Boston	141	151	147	138
Hartford	160	161	168	146
Providence	86	95	99	101
Middle Atlantic	67	70	72	67
Albany	103	106	108	101
Allentown	123	148	179	156
New York	58	60	59	52
Philadelphia	59	63	65	61
Pittsburgh	98	100	100	108
Rochester	66	66	74	80
Syracuse	78	85	93	93
East North Central	93	102	104	128
Chicago	87	96	103	115
Cincinnati	133	150	143	172
Cleveland	92	100	94	125
Columbus	134	152	155	166
Dayton	83	88	89	102
Detroit	68	73	74	108
Gary	132	125	135	184
Indianapolis	109	120	121	158
Milwaukee	93	101	98	133
Toledo	116	124	129	156
West North Central	114	120	121	136
Kansas City	135	141	143	165
Minneapolis	137	146	146	147
Omaha	138	134	141	180
St. Louis	72	78	76	95
South Atlantic	155	162	160	159
Atlanta	231	243	245	226
Baltimore	99	107	106	103
Charlotte	136	134	145	148
Jacksonville	132	128	131	128
Miami	177	165	167	178
Richmond	102	113	109	117
Washington, D.C.	154	170	161	163
East South Central	138	146	152	166
Birmingham	150	162	174	180
Knoxville	236	216	226	224
Louisville	87	99	95	113
Memphis	109	127	132	126
Nashville	162	168	177	227
West South Central	297	293	311	295r
Dallas	286	258	274	258
Houston	420	432	464	425
New Orleans	194	204	194	205
Oklahoma City	228	216	240	248r
San Antonio	189	192	189	185
Tulsa	247	232	262	251
Mountain	319	338	356	361
Denver	272	291	297	305
Phoenix	367	378	404	415
Salt Lake City	342	372	402	394
Pacific	225	231	233	216
Los Angeles	204	211	211	191
Sacramento	314	338	313	308
San Bernardino	156	174	182	174
San Diego	344	360	369	349
San Francisco	220	215	225	204
Seattle	242	247	253	249
Percentage of papers with rising volume	20%	24%	20%	37%
Unemployment rate	6.2%	6.0%	6.2%	5.7%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5r	53.2p								

Buying Plans Index

1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4r	86.3p								

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

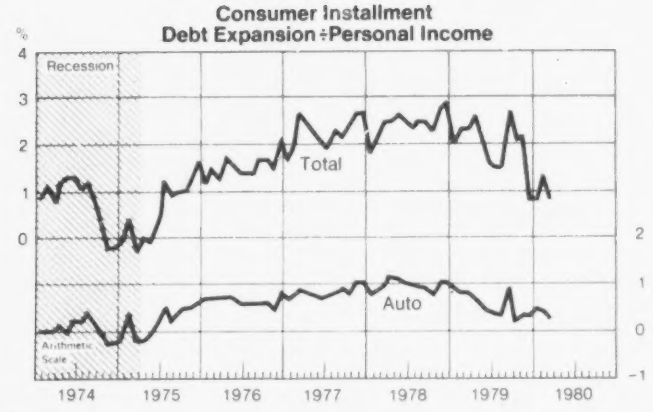
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

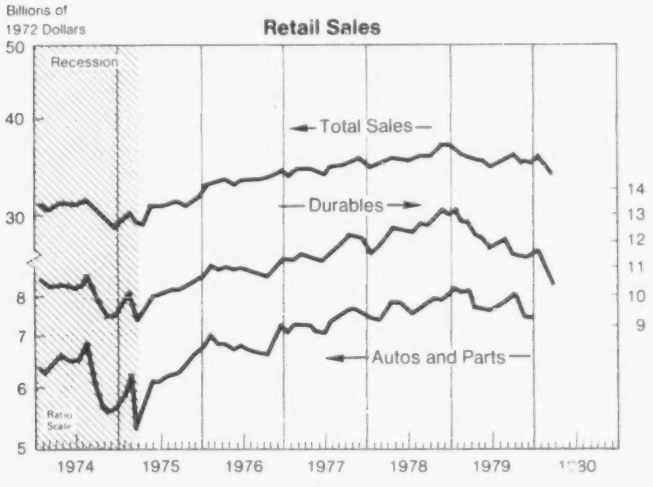
Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

Consumer Installment Debt Expansion÷Personal Income



Retail Sales



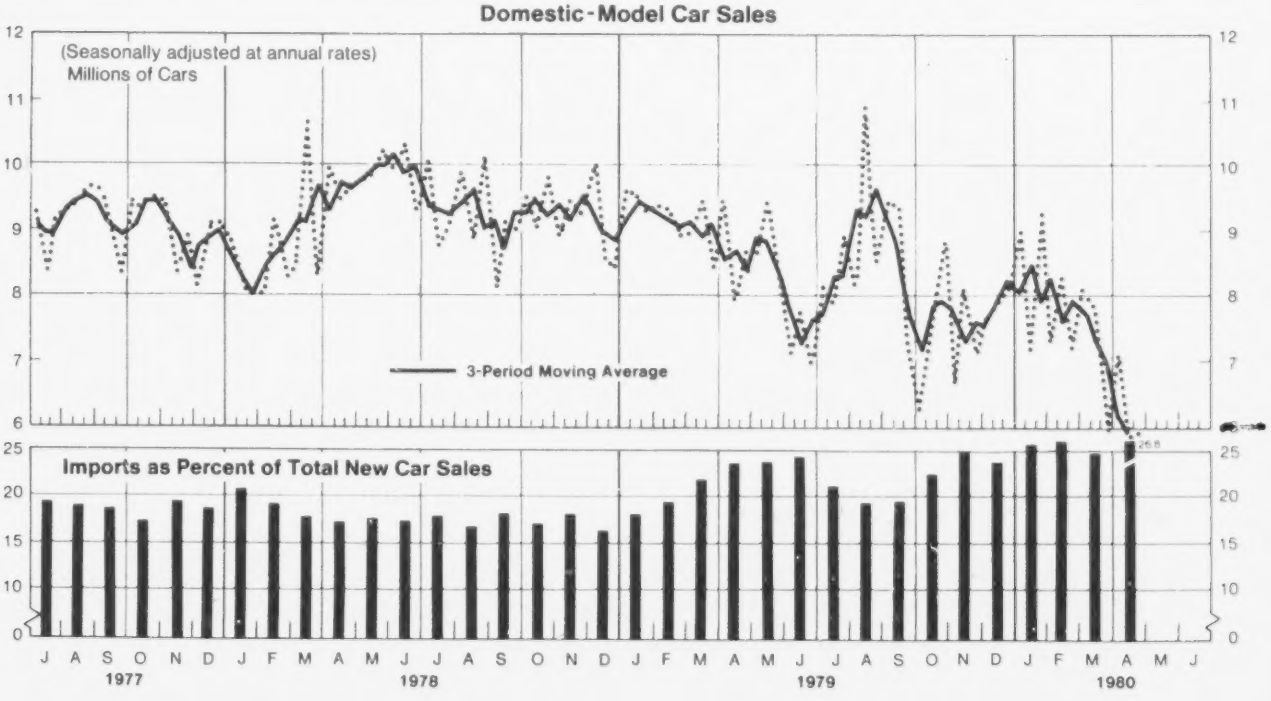
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.66	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.44	5.38
May:	1-10	9.21	9.72	8.63	
	11-20	8.84	9.85	7.44	
	21-31	9.04	10.22	8.42	
June:	1-10	9.75	9.94	7.12	
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

Volume 13 No. 6, June, 1980

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THE CONFERENCE BOARD

comment

Although the widely anticipated recession failed to develop last year, activity was hardly robust. The auto and housing industries both developed recessionary symptoms and it seemed likely that these conditions would spread throughout the economy. Indeed, business investment in new plant and equipment supplied much of what strength there was in the economy in 1979. The recession finally got under way earlier this year, with indications that it would develop at a rapid pace and that the impact on labor markets would be quite sharp.

A relatively low inventory/sales ratio was maintained throughout the 1975-1979 expansion (see chart on page 7), and record-high interest rates earlier this year blunted any sizable run-up in inventories around the business-cycle peak. As the economy moves past the cyclical peak—now said to have occurred in January, 1980—some undesired inventory buildup is taking place but the decline in production is likely to be closely related to weakening in final sales.

In the expansion of 1975-79, employment rose almost as fast as real output; that is, productivity gains were sluggish at best (see the *Key Determinants of Profit Margins* chart). The decline in production, then, is likely to result in sizable layoffs leading to sharp increases in unemployment.

Consumer market activity has fallen sharply in the first half of 1980. Retail sales, adjusted for inflation, were 8.1% lower in April than in January. As indicated on the *Key Determinants of Profit Margins* chart, real compensation per hour continued to decline in the first quarter of 1980, an indication that purchasing power is still losing ground to inflation. Also, consumer buying on credit has significantly slowed since last Fall. The ratio of installment debt expansion to personal income was essentially flat from December to March; but repayments actually exceeded new extensions in April. Finally, consumer attitudes have been deteriorating throughout the Winter and early Spring months. The Conference Board's *Consumer Confidence Index* was not much higher in May than the level recorded at the bottom of the last recession in late 1974.

It has been something of a surprise that business investment remained as strong as it did through 1979, despite a steady erosion of strength in consumer markets as well as successive hikes in interest rates. One explanation might be the fact that some firms revised their 1980 outlook upwards in the belief that the recession—first projected in mid-1978—which did not occur in 1979 was unlikely to develop in 1980 either. The Conference Board's survey of *Capital Appropriations and Expenditures* by the nation's 1,000 largest manufacturers showed substantial rises in appropriations and spending in the first quarter of 1980. Moreover, the survey respondents' expectations for 1980 strengthened between January and April. That is, capital spending projections for the year 1980 as a whole actually were revised upward precisely during the period when activity was beginning to contract. On the other hand, a later survey—taken by the Commerce Department in late April and early May, covering a broader spectrum of businesses—showed expected 1980 spending to be lower than in an earlier Commerce Department survey taken in January-February. In any event, it seems clear that business investment in plant and equipment will hold up relatively well in this recession compared with past experience, in good part because problems of obsolescence are being exacerbated by the rising cost of energy.

In just the first three months of the recession, industrial production declined by 2.7%. The capacity utilization measures, which were still around the 85% mark in January, were down to 79 to 81% by April. And the fact that the composite index of *Leading Economic Indicators* continued to drop sharply through April suggests that the slowing of activity will continue for a number of months. The *Economic Forecasts* generally point to recession continuing for the rest of this year, and a few indicate it might not end until the first quarter of next year.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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The median of the forecasts says that real output is declining at a very substantial 7.1% annual rate (seasonally adjusted) in the second quarter of 1980. The median rate of decline subsides to a still sharp 4.3% in the third quarter, followed by a milder rate of decline of only 1.1% in the fourth quarter.

The most pessimistic outlook is that real GNP is decreasing by 9.5% in the second quarter and will drop by 6.4% in the third quarter, 4.2% in the fourth, and by 0.7% in the first quarter of 1981. The most significant implication in all of these numbers on declining economic activity is that the worst phase of this downturn is the first three months. The economic news—whether on production or housing starts or employment—is not expected to continue to be as bad from here on out as it has been over the last few months.

The decline in overall activity will result in a sharp rise in unemployment. The national unemployment rate rose from 6.2% in March to 7% in April to 7.8% in May. The *Economic Forecasts,* which were all put together before the May figure was announced, indicate that unemployment will average 7.5% in the second quarter, 8% in the third quarter, and 8.3% in the fourth. The median forecast is that the rate will peak at 8.5% in the first quarter of 1981 and then begin to improve. The more pessimistic view is that unemployment will peak at 9.5% in the first quarter of 1981—and only improve to 9% by the third quarter of next year.

The slowdown of economic activity will allow for some abatement of inflation. The *Economic Forecasts* suggest that inflation, as measured by the implicit price deflator, is running at a 9.3% pace in the second quarter of 1980—the same as in the first. The rate of inflation is now expected to peak at 9.5% in the third quarter and then begin to subside to about 7½% by the first quarter of 1982. In addition, there has been a marked slowdown in credit expansion. The extension of commercial and industrial loans was 65% lower in May than in February. And consumers actually liquidated more debt in April than they took on. These conditions have allowed for a sizable decline in short-term interest rates. However, the drop in interest rates has been accompanied by yet another round of selling of dollars on the international exchanges. The trade-weighted average *Exchange Rate* of the dollar against other major currencies in May was 17% below June, 1970 parities. That is roughly where the dollar was last Summer before the subsequent rounds of hikes in interest rates. It would seem that the concurrent policy objectives of reducing interest costs while also maintaining the value of the currency create a most difficult burden. And the announcement in early May of yet another round of price increases by OPEC only compounds that problem.

Ken Goldstein

The Inflation Spiral

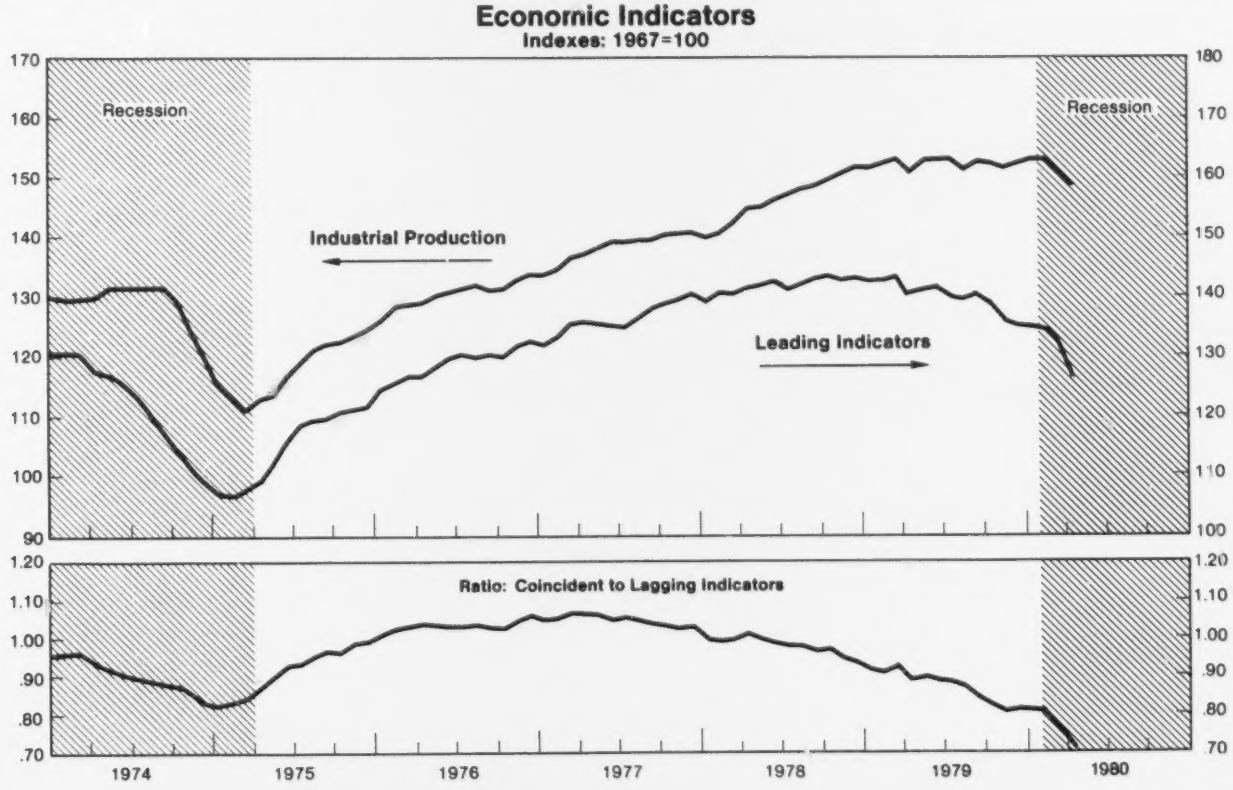
Average Annual Percent Changes in Consumer Price Index

STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.			X	— 7.1%	—10.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.			X	— 7.1%	— 6.8%
New orders, nondefense capital goods (deflated)	Apr.		X		— 2.6%	+ 4.3%
*Net business formation	Feb.	X			+ 3.0%	+ 2.5%
*Housing permits	Apr.			X	—37.2%	—47.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.			X	—14.9%	—17.4%
*Change in inventory, on hand & order (deflated)	Mar.		X		— 1.7%	—31.5%
Purchasing agents' buying policy	May			X	— 9 %	—15 %
*Vendor performance, reported slower deliveries	Apr.			X	—16.7%	—47.4%
Industrial raw materials prices	May			X	—13.1%	— 4.6%
*Change in sensitive prices	Apr.			X	— 1.4%	— 1.2%
Sensitive Financial Flows						
*Money balance (M2, deflated)	Apr.			X	— 2.7%	— 6.2%
Change in business loans	May			X	—65.0%	—61.2%
*Change in liquid assets	Apr.		X		+ 0.1%	— 0.2%
Change in consumer installment debt	Mar.		X		+ 1.0%	—26.3%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 3.4%	+ 0.3%
*Common stock prices	May		X		— 7.0%	+ 7.5%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.			X	— 0.7hr	+ 0.4hr
Initial unemployment claims (inverted)	Apr.			X	—40.8%	—31.1%
*Layoff rate, mfg. (inverted)	Apr.			X	— 1.5%	— 1.7%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V)

*These twelve series make up the composite leading index charted below.



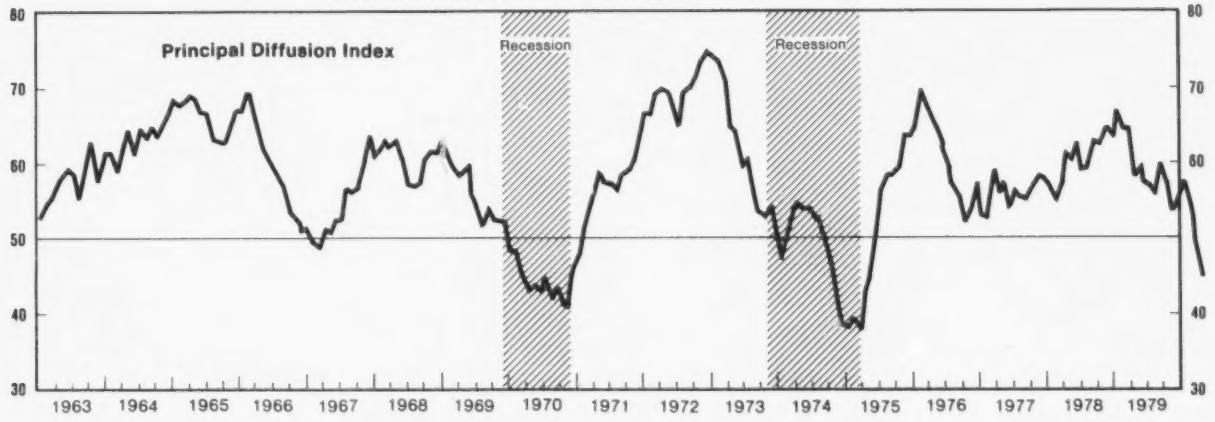
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 Apr.	1979 Jan.	1980 Feb.	1980 Mar.	1980 Apr.(e)
Principal Diffusion Index	57.9	57.3	55.3r	49.9	44.6
Auxiliary Diffusion Index	32.1	57.5	43.3r	32.4	32.9
Industrial Group	52.5	50.7	47.1r	42.9	37.7
Nonindustrial Group	63.3	64.0	63.5	56.8r	51.5
Sense of Diffusion	1.0	1.0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.1	55.6	52.6	49.6	47.0
Labor	44.5	49.8	47.6r	40.8	34.4
Miscellaneous	59.6	45.5	37.8	38.5	32.1
Nonindustrial Subgroups					
Prices	68.6	71.8	76.3	64.7	54.5
Consumer	82.1	77.4	76.1	69.7	61.5
Building	44.9	46.8	39.7	33.3r	31.4
Miscellaneous	53.4	56.8	58.1	54.3r	53.0

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977 Aug.	1977 Nov.	1978 Feb.	1978 May	1978 Aug.	1978 Nov.	1979 Feb.	1979 May	1979 Aug.	1979 Nov.	1980 Feb.
	Score (scale 0-100)										
Measure of Business Confidence	59	52	52	58	49	40	43	41	32	32	40
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	46	60	58	45	47	47	28	29	36
2. Expectations for Economy, Six Months Ahead	56	49	49	54	42	33	38	33	29	29	38
3. Expectations for Own Industry, Six Months Ahead	60	58	59	60	49	43	46	43	39	38	45

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

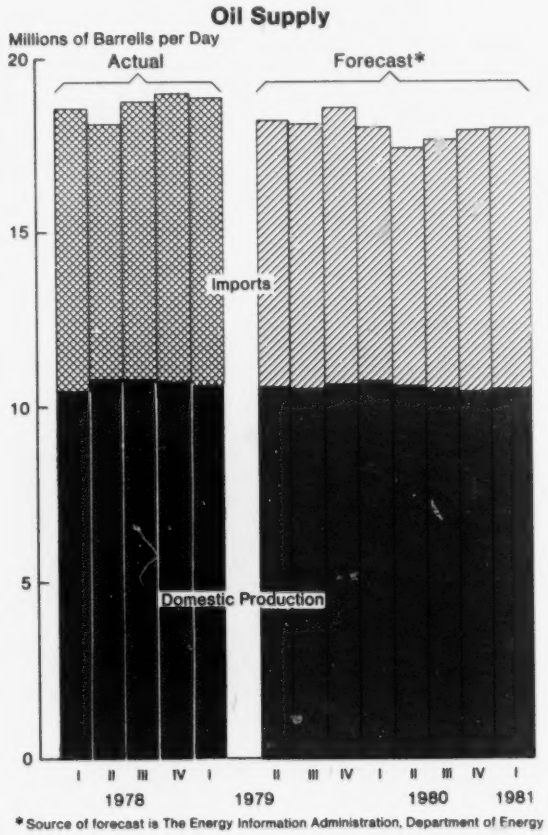
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
					PROJECTIONS						
	II	III	IVr	Ip	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
New appropriations	21.033	22.552	23.475	30.481	17.5	16.8	17.8	18.0	18.0	17.6	18.1
Capital expenditures	18.027	18.678	19.702	21.774	18.7	19.3	19.7	19.5	19.2	18.6	18.1
Change in appropriations backlog*	+1.466	+3.431	+3.523	+8.015	−2.8	−3.9	−3.3	−2.8	−2.7	−2.4	−1.3
Durable Goods											
New appropriations	10.672	10.384	11.845	14.339	8.2	7.7	6.9	6.4	6.4	6.9	7.3
Capital expenditures	8.379	9.126	9.630	10.619	9.3	9.4	9.1	8.5	7.7	7.0	6.4
Change in appropriations backlog*	+1.970	+1.182	+2.295	+3.228							
Nondurable Goods											
New appropriations	10.361	12.168	11.630	16.142	9.3	9.1	10.9	11.6	11.6	10.7	10.9
Capital expenditures	9.648	9.552	10.072	11.155	9.5	9.9	10.6	10.9	11.5	11.6	11.7
Change in appropriations backlog*	−0.502	+2.249	+1.228	+4.787							
ELECTRIC & GAS UTILITIES											
New appropriations	6.763r	10.913	8.809								
Capital expenditures	7.149r	7.139	6.994								
Change in appropriations backlog*	−1.737r	+3.276	−7.236								

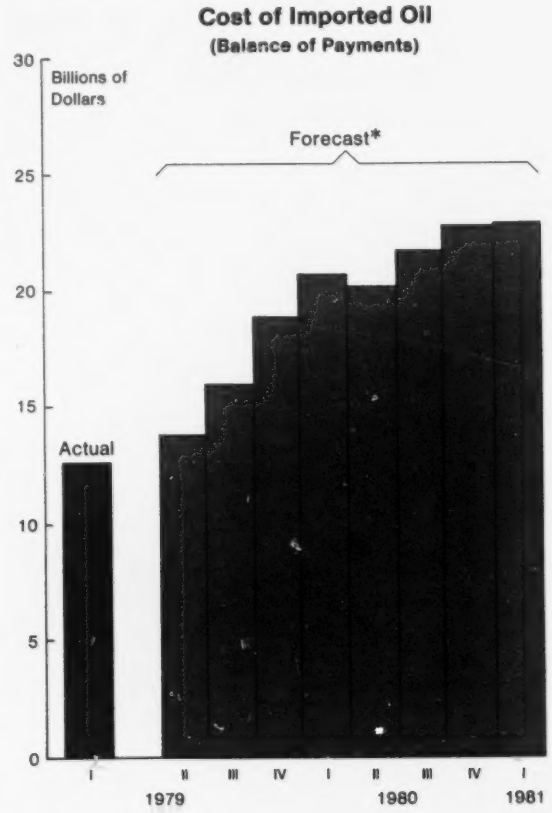
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model. Data for utilities are revised for 1978 and 1979.

r—revised p—preliminary

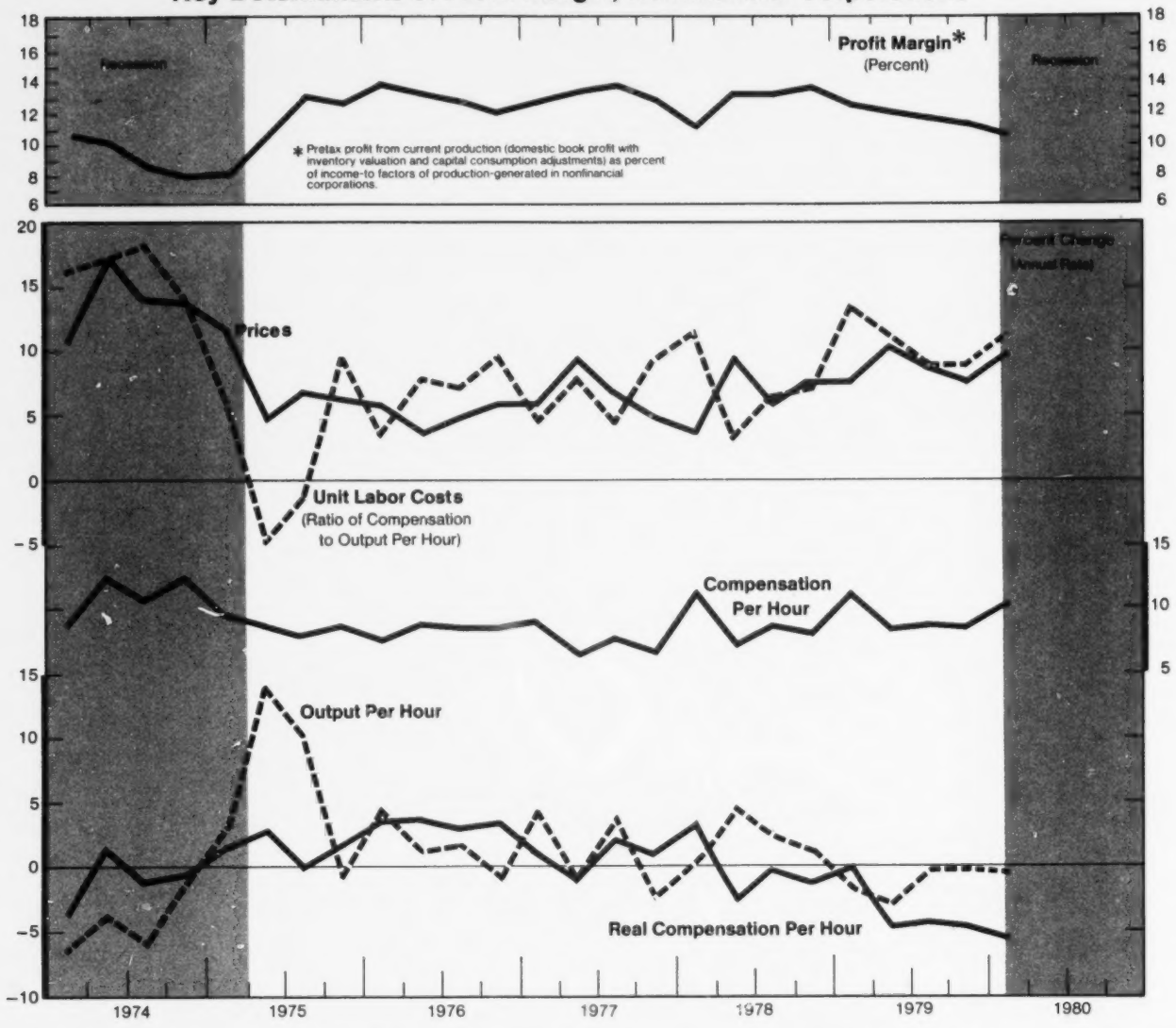
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

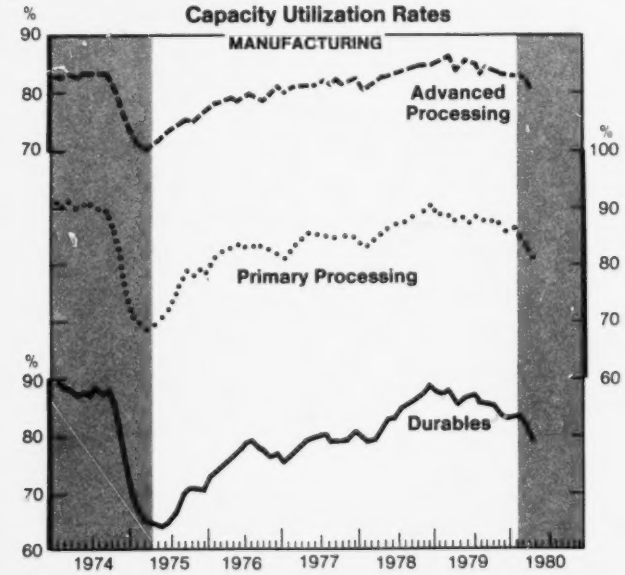


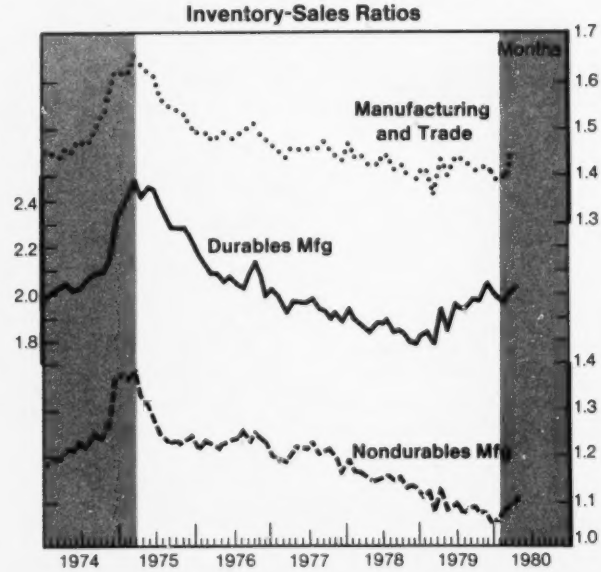
* Source of forecast is The Energy Information Administration, Department of Energy



Key Determinants of Profit Margin, Nonfinancial Corporations







Seasonally Adjusted

ECONOMIC FORECASTS

			ASA-NBER Survey of Regular Forecasters[2]		Merrill Lynch Economics Inc.[3]		Kent Economic Institute[3]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*May, 1980*		*May, 1980*		*May, 1980*		*March, 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**I**			**$2516.1**	**10.0%**	**$2516.1**	**10.0%**		
Forecast		II	$2544.0	3.8%	2517.7	0.3	2560.0	7.2	$2581.3	7.9%
		III	2578.0	5.5	2525.9	1.3	2618.9	9.5	2639.2	9.3
		IV	2630.0	8.3	2565.3	6.2	2700.5	13.1	2693.0	8.4
	1981	I	2710.0	12.7	2600.7	5.8	2764.2	9.8	2740.4	7.2
		II	2773.0	9.6	2689.6	14.4	2843.8	12.0	2798.2	8.7
		III			2773.7	13.1	2940.4	14.3	2865.0	9.9
		IV			2857.3	12.6	3026.4	12.2		
	1982	I			2940.3	12.1	3091.6	8.9		
	1980	Annual	2568.1	8.4	2531.0	6.8	2598.9	9.7	2611.5	10.2
	1981	Annual			2730.3	7.9	2893.7	11.3		
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**I**			**$1442.8**	**0.6%**	**$1442.8**	**0.6%**		
Forecast		II	$1425.2	−5.2%	1413.8	−7.8	1430.1	−3.4	$1435.3	−3.2%
		III	1410.3	−4.1	1394.7	−5.2	1430.3	0.1	1432.3	−0.8
		IV	1406.5	−1.1	1388.9	−1.7	1432.6	0.6	1430.0	−0.6
	1981	I	1416.3	2.8	1386.3	−0.7	1442.7	2.8	1427.4	−0.7
		II	1428.1	3.4	1410.3	7.1	1450.2	2.1	1429.2	0.5
		III			1433.1	6.6	1457.8	2.1	1436.1	1.9
		IV			1451.8	5.3	1470.6	3.6		
	1982	I			1469.5	5.0	1483.5	3.6		
	1980	Annual	1421.5	−0.7	1409.9	−1.5	1433.9	0.2	1436.2	0.3
	1981	Annual			1420.4	0.7	1455.3	1.5		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**I**			**174.4**	**9.3%**	**174.4**	**9.3%**		
Forecast		II	178.7	10.0%	178.1	8.7	179.0	11.0	179.8	11.5%
		III	182.9	9.7	181.1	6.9	183.1	9.5	184.3	10.2
		IV	186.6	8.3	184.6	8.0	188.5	12.3	188.3	9.1
	1981	I	190.4	8.4	187.6	6.6	191.6	6.7	192.0	8.0
		II	194.5	8.9	190.7	6.8	196.1	9.7	195.8	8.2
		III			193.5	6.1	201.7	11.9	199.5	7.8
		IV			196.8	6.9	205.8	8.4		
	1982	I			200.1	6.8	208.4	5.2		
	1980	Annual	180.7	9.2	179.6	8.5	181.3	9.6	181.9	9.9
	1981	Annual			192.2	7.0	198.8	9.7		
Unemployment Rate										
Actual	**1980**	**I**			**6.1%**		**6.1%**			
Forecast		II	7.2%		7.5		7.6		6.5%	
		III	7.8		8.2		8.0		7.0	
		IV	8.0		8.8		7.8		7.4	
	1981	I	8.1		9.4		7.6		7.8	
		II	8.0		9.3		7.1		8.2	
		III			9.0		7.0		8.4	
		IV			8.6		6.5			
	1982	I			8.2		6.5			
	1980	Annual	7.3		7.6		7.4		6.8	
	1981	Annual			9.1		7.0			

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (second revision) 4th quarter data.

[2]Based on preliminary first quarter data.

[3]Based on revised first quarter data.

ECONOMIC FORECASTS (continued)

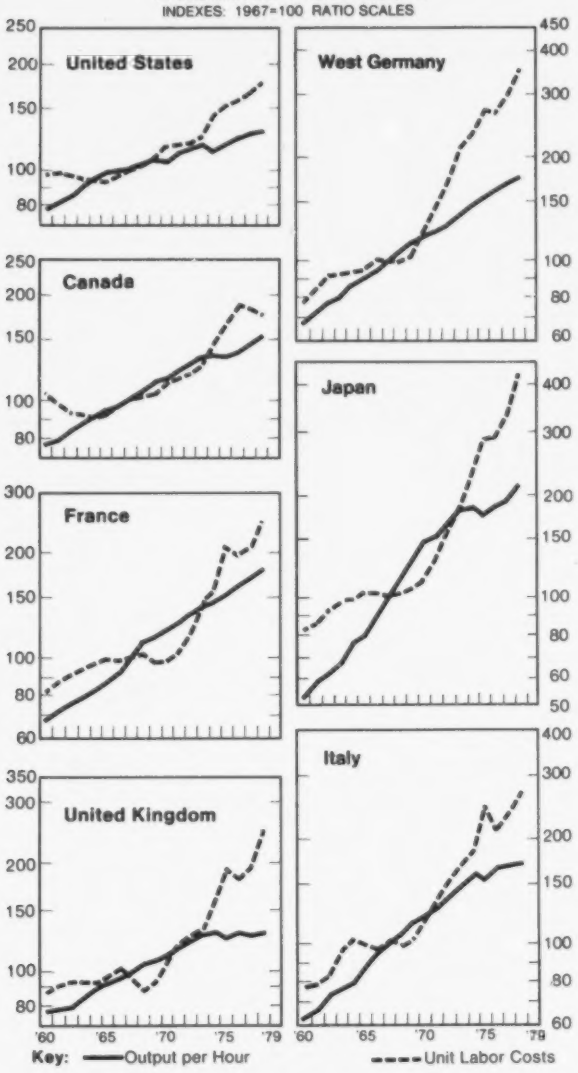
The Conference Board[2]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
April, 1980		*May, 1980*		*May, 1980*		*May, 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
		$2516.1	10.0%	$2516.1	10.0%	$2516.1	10.0%	I	1980	Actual
$2520.0	—0.0%	2527.8	1.9	2516.4	0.0	2519.8	0.6	II		Forecast
2538.0	2.9	2543.1	2.4	2546.8	4.9	2541.5	3.5	III		
2570.0	5.1	2593.8	8.2	2594.3	7.7	2595.9	8.8	IV		
2627.0	9.2	2669.8	12.2	2669.8	12.2	2676.3	13.0	I	1981	
2725.0	15.8	2755.9	13.5	2758.8	14.2	2748.6	11.3	II		
2800.0	11.5	2825.4	10.5	2863.4	15.9	2823.8	11.4	III		
2878.0	11.6	2915.2	13.3	2973.2	16.2	2907.9	12.5	IV		
		3002.9	12.6	3083.3	15.7	2994.9	12.5	I	1982	
2537.1	7.1	2545.2	7.4	2543.4	7.4	2543.3	7.4	Annual	1980	
2757.5	8.7	2791.6	9.7	2816.5	10.7	2789.1	9.7	Annual	1981	
								Gross National Product Constant (1972) Dollars		
		$1442.6	0.6%	$1442.6	0.6%	$1442.6	0.6%	I	1980	Actual
$1412.6	—8.5%	1415.2	—7.4	1411.9	—8.2	1416.3	—7.1	II		Forecast
1394.7	—5.0	1393.6	—6.0	1387.0	—4.2	1400.9	—4.3	III		
1385.6	—2.5	1392.4	—0.3	1391.4	—1.6	1399.0	—0.5	IV		
1391.2	1.6	1402.1	2.8	1400.2	2.6	1409.5	3.0	I	1981	
1416.8	7.6	1413.3	3.2	1414.8	4.2	1419.1	2.8	II		
1430.6	4.0	1420.3	2.0	1435.0	5.8	1431.3	3.5	III		
1444.9	4.1	1432.4	3.5	1453.5	5.3	1444.8	3.8	IV		
		1443.5	3.1	1472.8	5.4	1461.2	4.6	I	1982	
1409.3	—1.6	1410.9	—1.4	1410.7	—1.5	1414.7	—1.2	Annual	1980	
1420.9	0.8	1417.0	0.4	1425.9	1.1	1426.2	0.8	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
		174.4	9.3%	174.4	9.3%	174.4	9.3%	I	1980	Actual
178.4	9.2%	178.6	10.0	178.2	9.0	177.9	8.3	II		Forecast
182.0	8.3	182.5	8.9	182.3	9.5	181.4	8.1	III		
185.5	7.9	186.3	8.6	186.5	9.4	185.6	9.4	IV		
188.8	7.5	190.4	9.2	190.7	9.4	189.9	9.6	I	1981	
192.3	7.6	195.0	10.0	195.1	9.5	193.7	8.3	II		
195.7	7.2	198.9	8.3	199.5	9.5	197.3	7.7	III		
199.2	7.3	203.5	9.6	204.6	10.4	201.3	8.3	IV		
		208.0	9.2	209.3	9.7	205.0	7.5	I	1982	
180.1	8.8	180.4	9.1	180.3	9.0	179.8	8.7	Annual	1980	
194.0	7.7	197.0	9.2	197.5	9.5	195.5	8.7	Annual	1981	
								Unemployment Rate		
		8.1%		8.1%		8.1%		I	1980	Actual
7.3%		7.4		7.8		7.5		II		Forecast
8.2		8.1		8.1		7.9		III		
8.4		8.3		8.4		8.3		IV		
8.2		8.3		8.6		8.5		I	1981	
7.8		8.1		8.6		8.6		II		
7.7		8.2		8.4		8.6		III		
7.5		8.1		8.3		8.5		IV		
		8.0		8.1		8.3		I	1982	
7.5		7.5		7.6		7.5		Annual	1980	
7.8		8.2		8.5		8.5		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

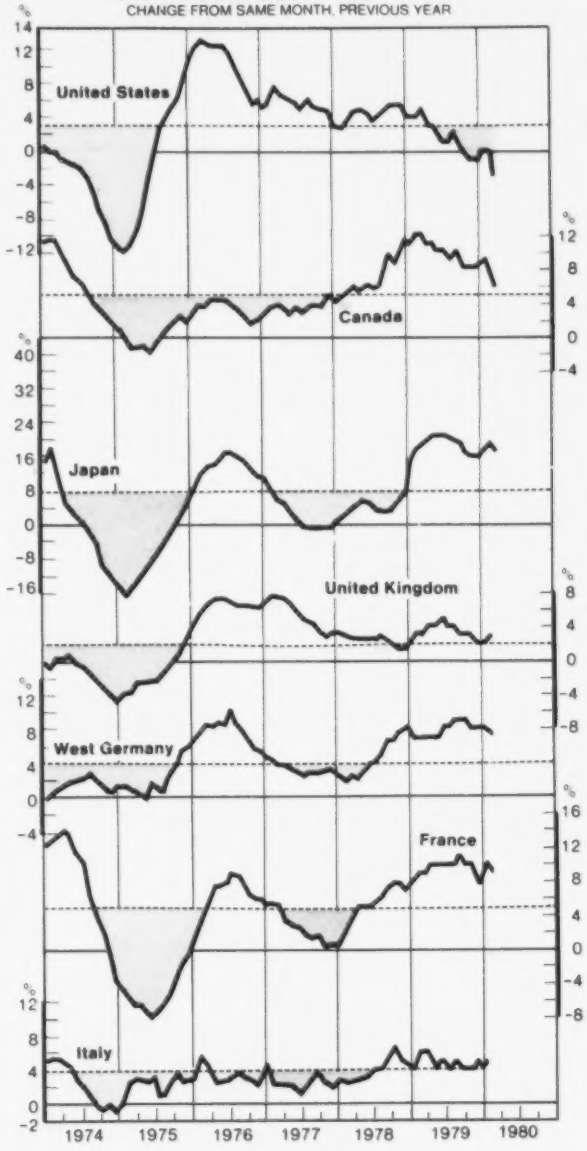
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

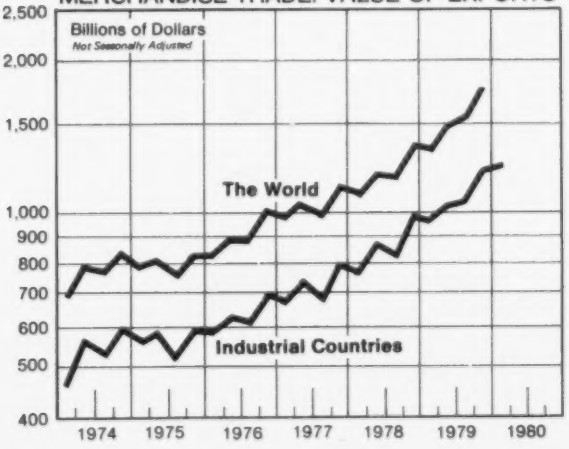


LEADING BUSINESS CYCLE INDEXES

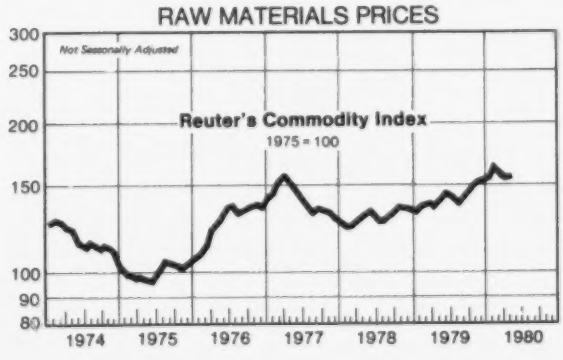
CHANGE FROM SAME MONTH, PREVIOUS YEAR



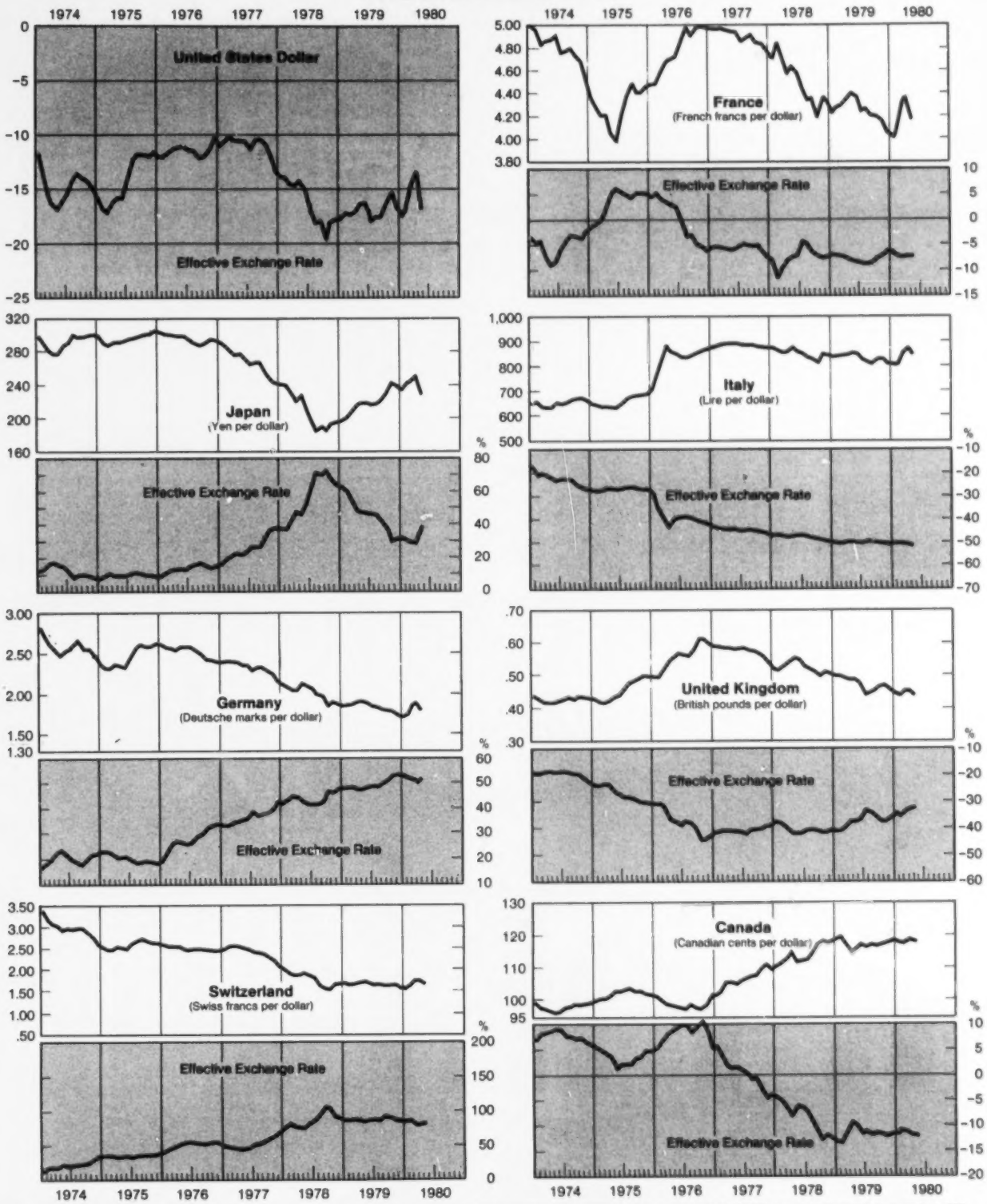
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

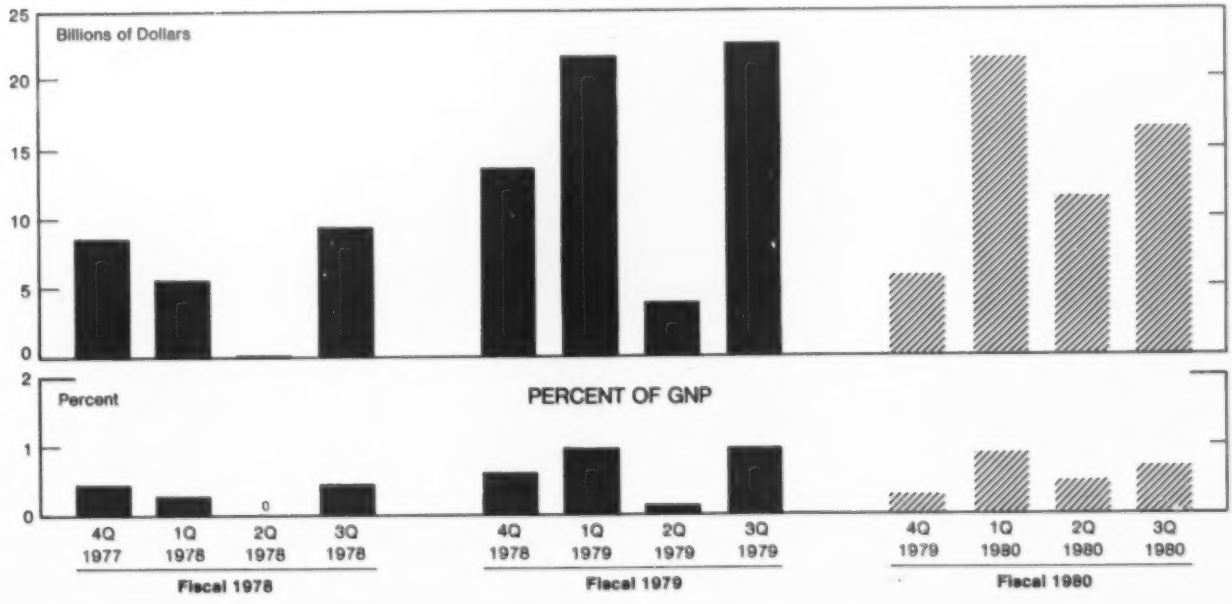
Source: Morgan Guaranty Trust.

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Revised President's Proposal (1/28/80)	Latest President's Proposal (3/31/80)	Current Services (1/28/80)	Initial Proposal (1/28/80)	Latest President's Proposal (3/31/80)
Receipts	**$504.5**	**$523.8**	**$532.4**	**579.0**	**600.0**	**628.0**
Outlays	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Deficit	**−31.6**	**−39.8**	**−36.5**	**−33.0**	**−15.8**	**+ 16.5**
Receipts by source	**504.5**	**523.8**	**532.4**	**579.0**	**600.0**	**628.0**
Individual income taxes	229.6	238.7	241.5	273.3	274.4	279.9
Corporate income taxes	71.0	72.3	74.2	74.7	71.6	74.1
Social insurance	161.2	162.2	163.5	186.0	187.4	188.9
Other receipts	42.7	50.6	53.2	45.0	66.6	85.1
Outlays by function	**536.1**	**563.6**	**568.9**	**612.0**	**615.8**	**611.5**
Income security	179.5	190.9	190.0	219.9	220.0	220.1
National defense	125.5	130.4	134.0	142.4	146.2	150.5
Health	55.1	56.6	56.5	63.4	62.4	61.9
Education and manpower	31.0	30.7	30.1	32.5	32.0	30.6
Veterans' benefits	20.4	20.8	20.7	21.7	21.7	21.4
Transportation	18.0	19.6	20.5	20.1	20.2	19.0
Natural resources and environment	11.8	12.8	12.8	12.8	12.8	12.5
Revenue sharing	9.2	8.7	8.8	8.5	9.6	7.4
International affairs	7.9	10.4	11.1	9.6	9.6	10.1
Community development	7.2	8.5	9.0	8.5	8.8	8.5
Energy	8.0	7.8	6.8	7.1	8.1	6.9
General science	5.4	5.9	5.9	6.3	6.4	6.2
General government	4.2	4.9	4.8	4.9	4.9	4.8
Justice	4.3	4.5	4.6	4.7	4.7	4.6
Agriculture	5.0	4.6	5.1	3.2	2.8	2.0
Commerce and housing credit	3.4	5.5	6.2	0.8	0.7	0.4
Interest	57.1	63.3	64.3	68.4	67.2	68.4
Allowances	2.1	0.1	—	2.4	2.6	1.4
Undistributed offsetting receipts	−19.0	−22.3	−22.2	−25.1	−25.2	−24.9

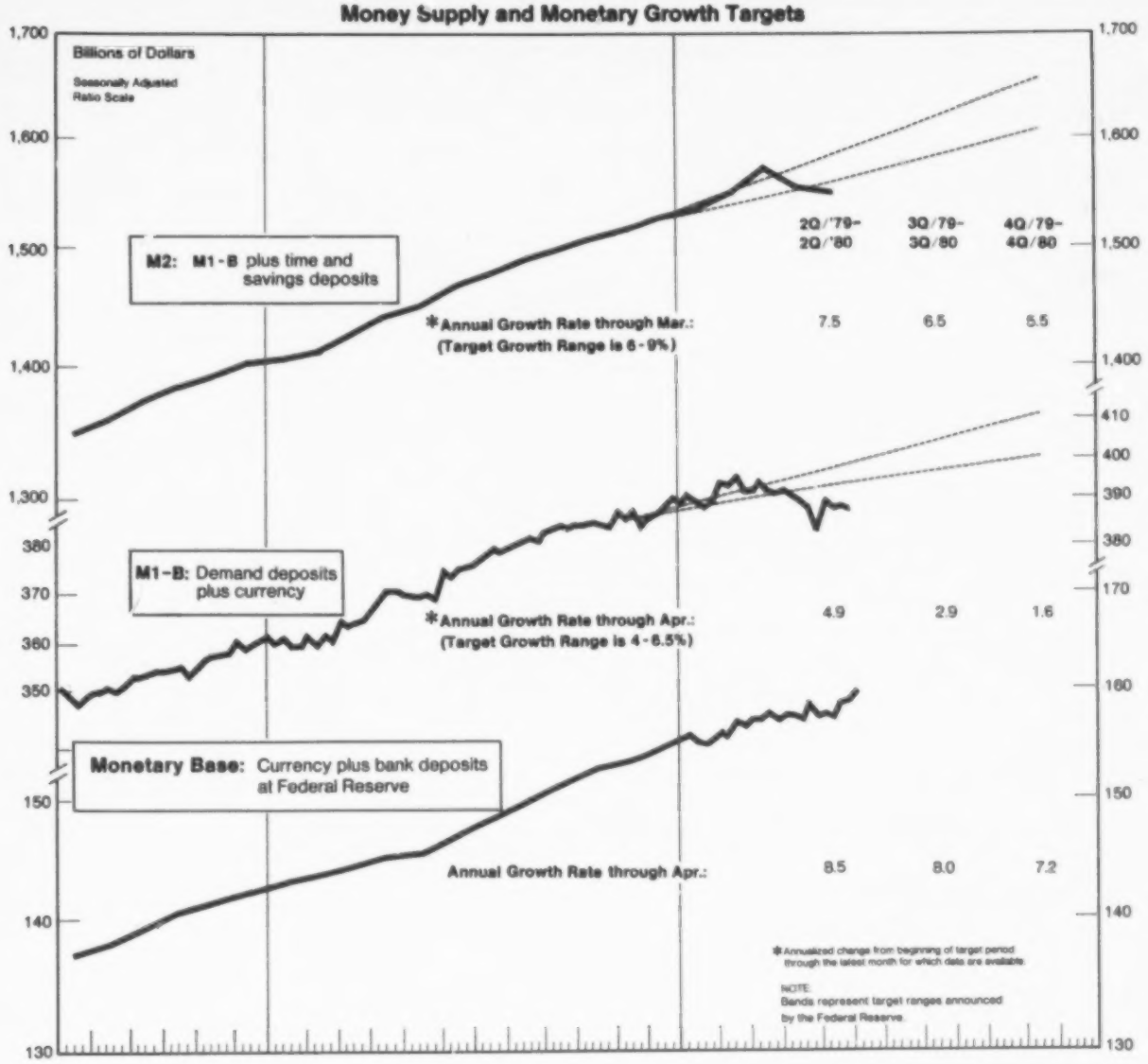
Sources: Office of Management and Budget; Congressional Budget Office.

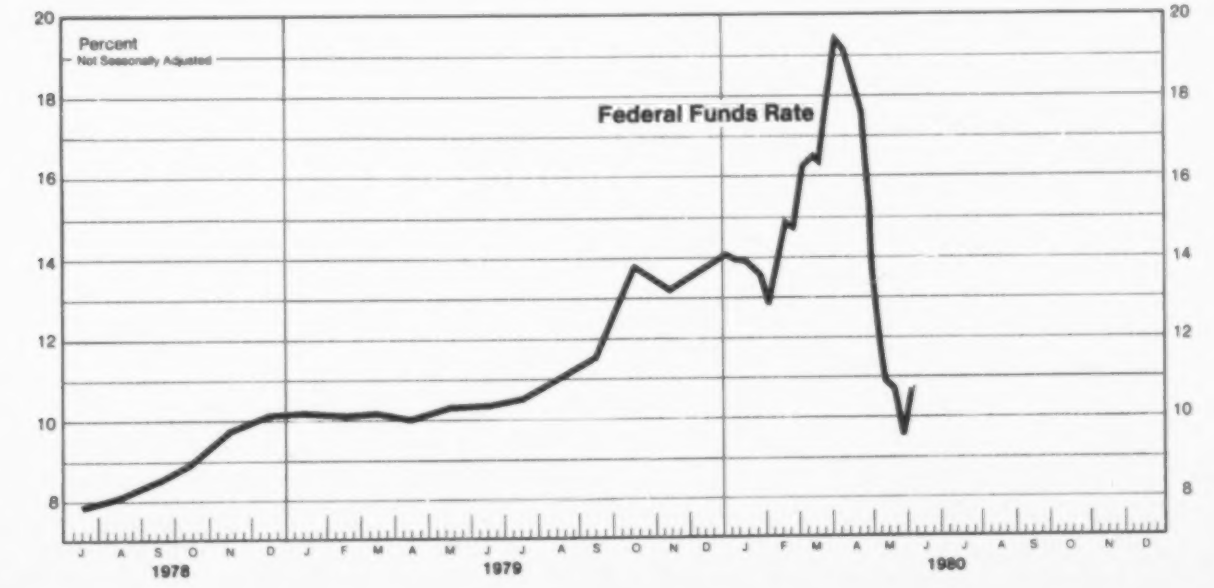
Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York, 1976.

Money Supply and Monetary Growth Targets



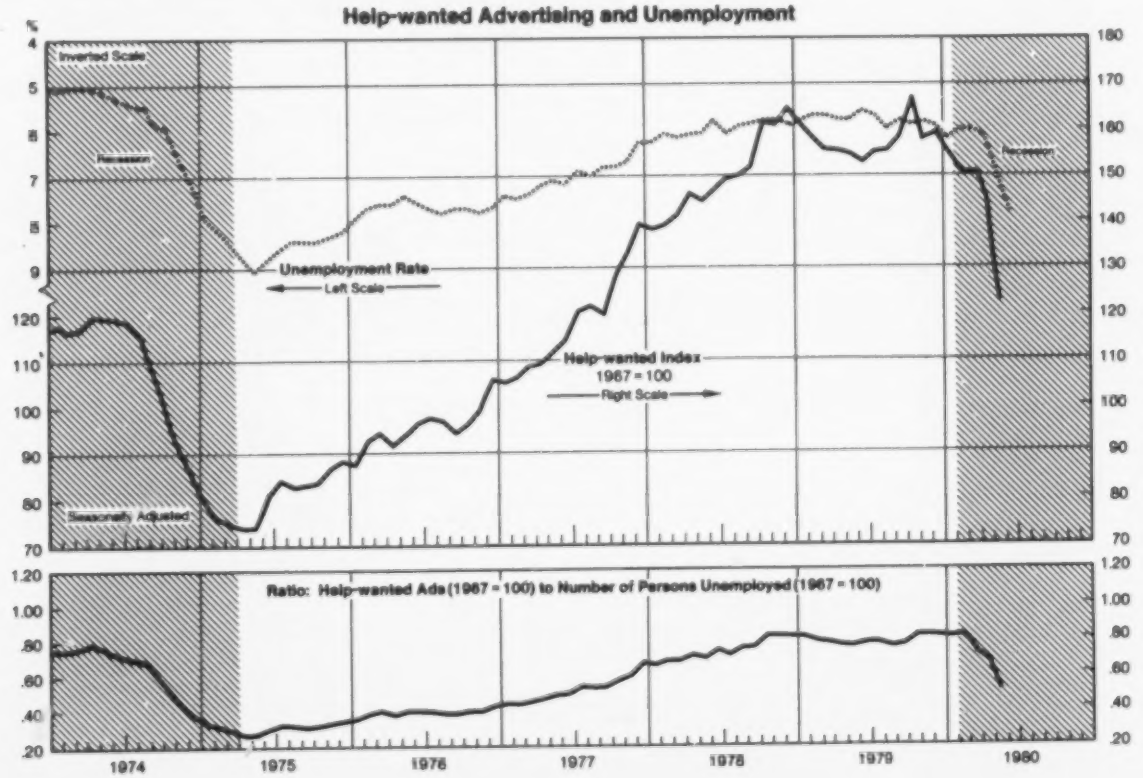


CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	Apr.	Mar.	Feb.	Apr.
Total Index 51 papers	122	145	151	155
New England	117	134	142	136
Boston	124	141	151	143
Hartford	139	160	161	151
Providence	76	86	95	97
Middle Atlantic	59	67	70	69
Albany	85	103	106	102
Allentown	134	123	148	141
New York	52	58	60	56
Philadelphia	53	59	63	65
Pittsburgh	77	98	100	99
Rochester	58	66	66	74
Syracuse	72	78	85	90
East North Central	78	93	102	127
Chicago	74	87	96	119
Cincinnati	118	133	150	174
Cleveland	75	92	100	118
Columbus	114	134	152	165
Dayton	69	83	88	106
Detroit	56	68	73	103
Gary	100	132	125	165
Indianapolis	92	109	120	155
Milwaukee	79	93	101	127
Toledo	102	116	124	158
West North Central	93	114	120	136
Kansas City	109	135	141	162
Minneapolis	107	137	146	148
Omaha	118	138	134	195
St. Louis	62	72	78	92
South Atlantic	129	155	162	152
Atlanta	193	231	243	232
Baltimore	83	99	107	103
Charlotte	112	136	134	142
Jacksonville	118	132	128	127
Miami	150	177	165	152
Richmond	87	102	113	117
Washington, D. C.	124	154	170	150
East South Central	121	138	146	169
Birmingham	124	150	162	182
Knoxville	194	236	216	224
Louisville	64	87	99	105
Memphis	104	109	127	129
Nashville	166	162	168	246
West South Central	253	297	293	302
Dallas	233	286	258	265
Houston	363	420	432	428
New Orleans	172	194	204	218
Oklahoma City	192	228	216	259
San Antonio	164	189	192	179
Tulsa	212	247	232	268
Mountain	260	319	338	357
Denver	221	272	291	305
Phoenix	298	367	378	403
Salt Lake City	281	342	372	391
Pacific	189	225	231	215
Los Angeles	167	204	211	189
Sacramento	254	314	338	309
San Bernardino	143	156	174	176
San Diego	294	344	360	343
San Francisco	187	220	215	202
Seattle	215	242	247	262
Percentage of papers with rising volume	4%	20%	24%	45%
Unemployment rate	7.0%	6.2%	6.0%	5.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5	52.9r	41.9							

Buying Plans Index

1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4	85.3r	74.6							

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

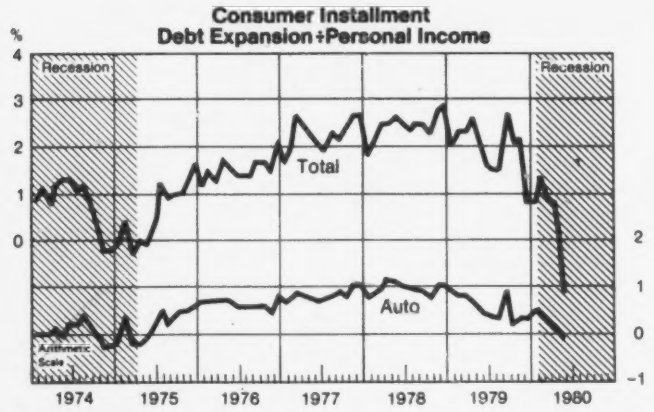
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

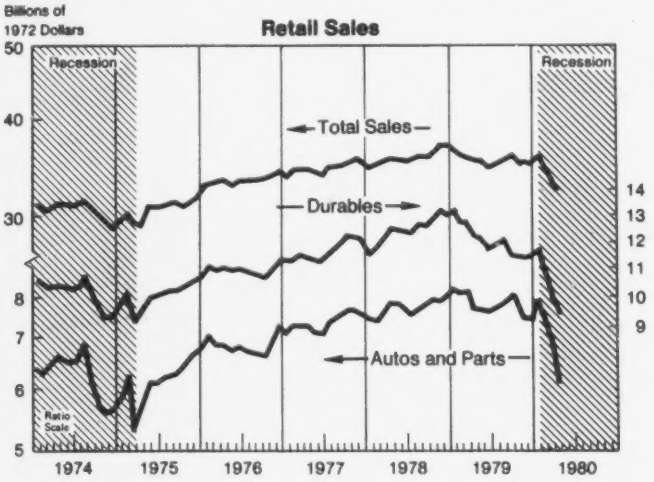
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised



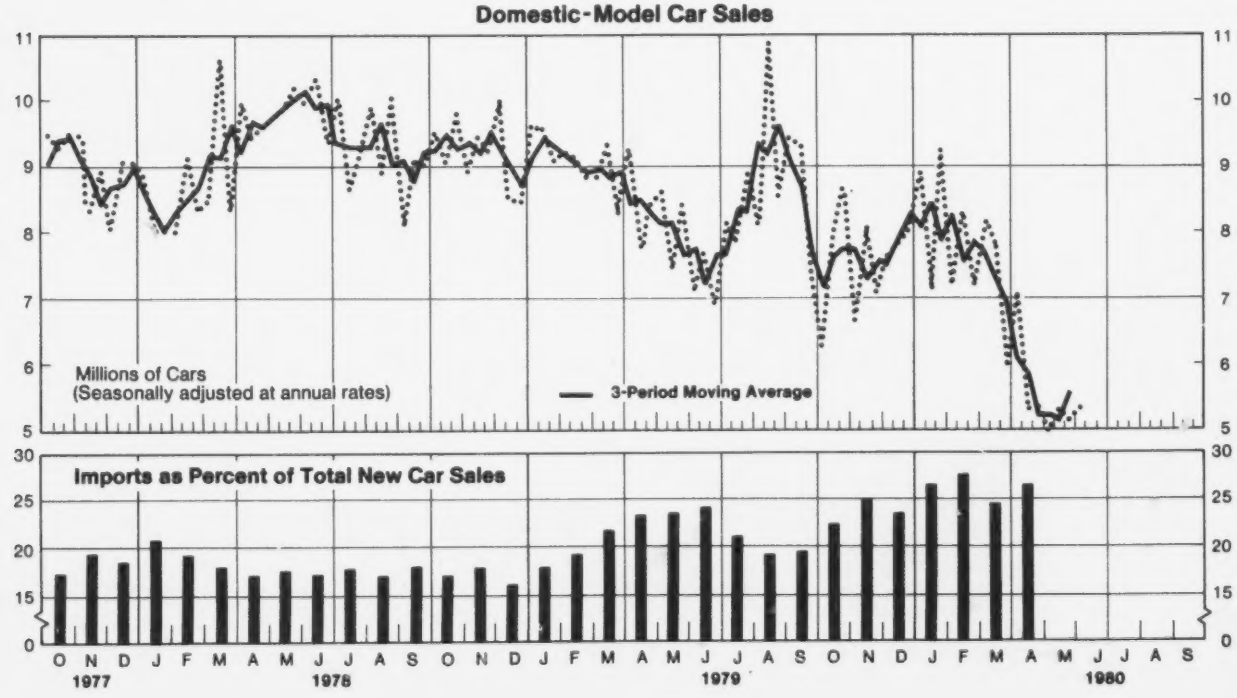


CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.48	5.38
May:	1-10	9.21	9.72	8.52	4.95
	11-20	8.84	9.85	7.41	5.28
	21-31	9.04	10.22	8.42	5.15
June:	1-10	9.75	9.94	7.12	5.57
	11-20	9.31	10.38	7.70	
	21-30	9.60	9.36	6.93	
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.



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STATISTICAL BULLETIN

Volume 13 No. 7, July, 1980

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THE CONFERENCE BOARD

comment

The economy is half a year into its seventh bout with recession in the post-World War II era. In the initial stage of the current slump, activity declined at a very rapid pace and the labor market was especially hard hit. The general view expressed in the *Economic Forecasts* is that while the recession will probably continue for the rest of the year, the pace of the contraction will begin to moderate in the third quarter.

Consumer market activity fell quite sharply in the first half of 1980. Consumer purchasing power was losing ground to inflation, buying on credit virtually disappeared, consumer attitudes turned very pessimistic, and retail sales—adjusted for inflation—dropped almost 10% between January and May. However, retail sales in real terms were essentially flat in June, and The Conference Board's *Consumer Confidence Index* turned up, recovering a little from very sharp previous declines. While these data do not suggest that consumer market conditions have turned around completely, they indicate that activity is not in a free-fall.

The industrial production index was 4.7% lower in May than in January. The capacity utilization measures, likewise, were significantly lower at midyear than they had been at the beginning of the year. Still, the decline in industrial production, sharp as it has been, was exceeded by the drop in final sales. Consequently, inventory/sales ratios have risen substantially. In fact, while the inventory/sales ratios were far lower at the start of this recession than they were at the start of the 1974-1975 recession, they are not much lower now than the levels reached during that recession. Clearly, an unintended inventory buildup of sizable proportions has been occurring. One of the considerations for expecting the recession to continue for at least the next six months is that this inventory buildup will have to be worked off before production can strengthen.

Business attitudes have no doubt been affected by the rate of inventory buildup as well as the sharp drop in sales. The Conference Board's *Measure of Business Confidence* dropped to only 29 (on a scale of 0 to 100) in the second quarter. The previous low was a reading of 32 in the fourth quarter of 1979.

The Conference Board's survey of *Capital Appropriations and Expenditures* by the nation's 1,000 largest manufacturers found substantial increases in appropriations and spending in the first quarter of 1980. Moreover, the survey respondents' expectations for 1980 strengthened between January and April. That is, capital spending projections for the year 1980 actually were revised upward precisely during the period when economic activity was beginning to contract. No doubt, those capital spending projections have since been further revised. Still, it seems apparent that business investment in plant and equipment will hold up relatively well in this recession compared with past experience, in good part because problems of obsolescence are being exacerbated by the rising cost of energy. Indeed, one reason for expecting this recession not to match the severity of the 1974-1975 experience is the expected strength of capital investment.

The composite index of *Leading Economic Indicators* was 8.9% lower in May than in January, and 13.5% below the peak recorded in January, 1979. The sharp declines in this series are one reason to expect economic activity to decline for a number of months to come. The *Economic Forecasts* have recently been pointing to a continuation of recession for the rest of this year, and a few suggest that it may not end until the first quarter of next year.

The median of the forecasts says that real output decreased by a very substantial 7.9% annual rate (seasonally adjusted) in the second quarter of 1980. The median rate of decline forecast then subsides to a still quite sharp 5.9% in the third quarter, followed by a milder rate of decline of only 1.1% in the fourth quarter.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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The most pessimistic outlook is that real GNP decreased at a 10% rate in the second quarter, and that it will decline by 7% in the third quarter, 3% in the fourth, and 1% in the first quarter of 1981. The difference between the median scenario and the most pessimistic scenario narrowed in the past month. And, by either account, the thinking remains that the recession will continue, but that the pace of contraction is likely to moderate.

The decline in economic activity is resulting in a very sharp increase in unemployment. The national unemployment rate rose from 6.1% in the first quarter to 7.5% in the second. The median of the *Economic Forecasts* is for an 8.2% rate in the third quarter, and 8.7% in the fourth. In the expansion of 1975-1980, employment rose almost as fast as real output; that is, productivity gains were sluggish at best (see the *Key Determinants of Profit Margins* chart). The decline in production now seems to be producing an even sharper decline in employment. The data on The Conference Board's *Help-wanted Index* indicate that while every region of the country is being effected by the decrease in activity, the Midwestern and the Mountain regions are being especially hard hit.

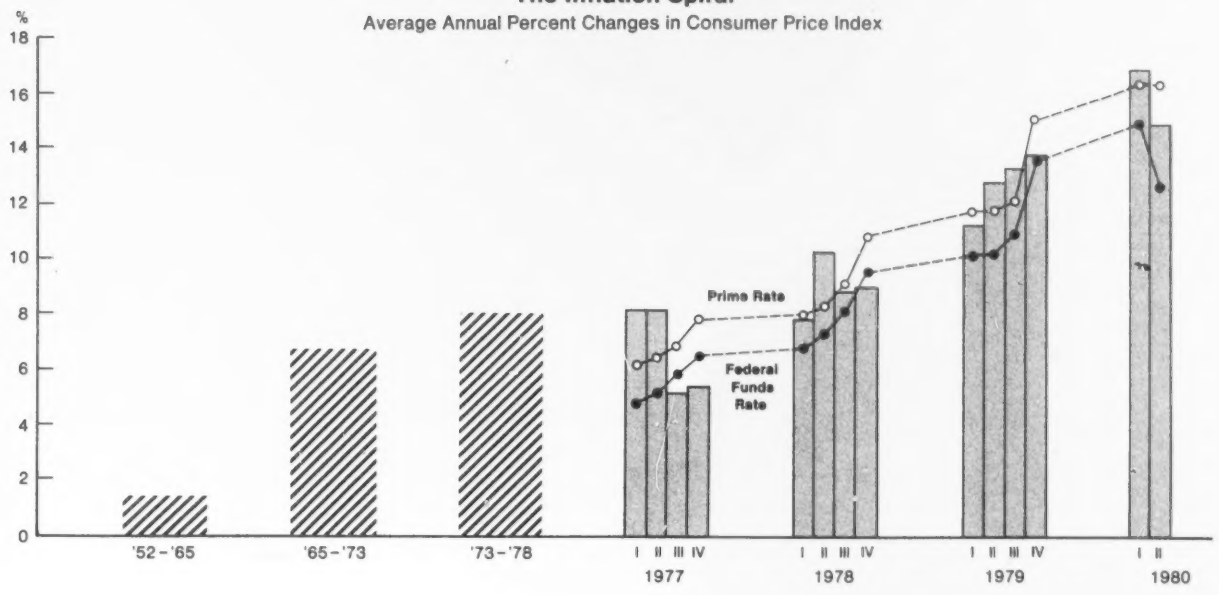
The decrease in economic activity is expected to lead to some abatement in the inflationary spiral. The *Economic Forecasts* suggest that while the rate of inflation—as measured by the implicit price deflator of GNP—probably rose from 9.3% in the first quarter to 9.6% in the second quarter, it may subside to 8.3% by the third quarter of this year, and to 7.8% by the third quarter of next year (median of the forecasts).

The decline in activity has resulted in a lessened demand for credit. Data on commerical and industrial loans continue to show sharp decreases; consumers actually liquidated more debt in April and May than they took on. These developments have allowed some abatement in the expansion of the monetary aggregates (see the *Money Supply and Monetary Targets* chart) as well as a sizable decline in short-term interest rates. The declining interest rates have been a factor behind the selling pressure on the dollar on international exchange markets. The trade-weighted average *Exchange Rate* of the dollar against other major currencies in June was 18.9% below June, 1970 parities. Only two months earlier that figure was 13.5 percent.

Ken Goldstein

The Inflation Spiral

Average Annual Percent Changes in Consumer Price Index

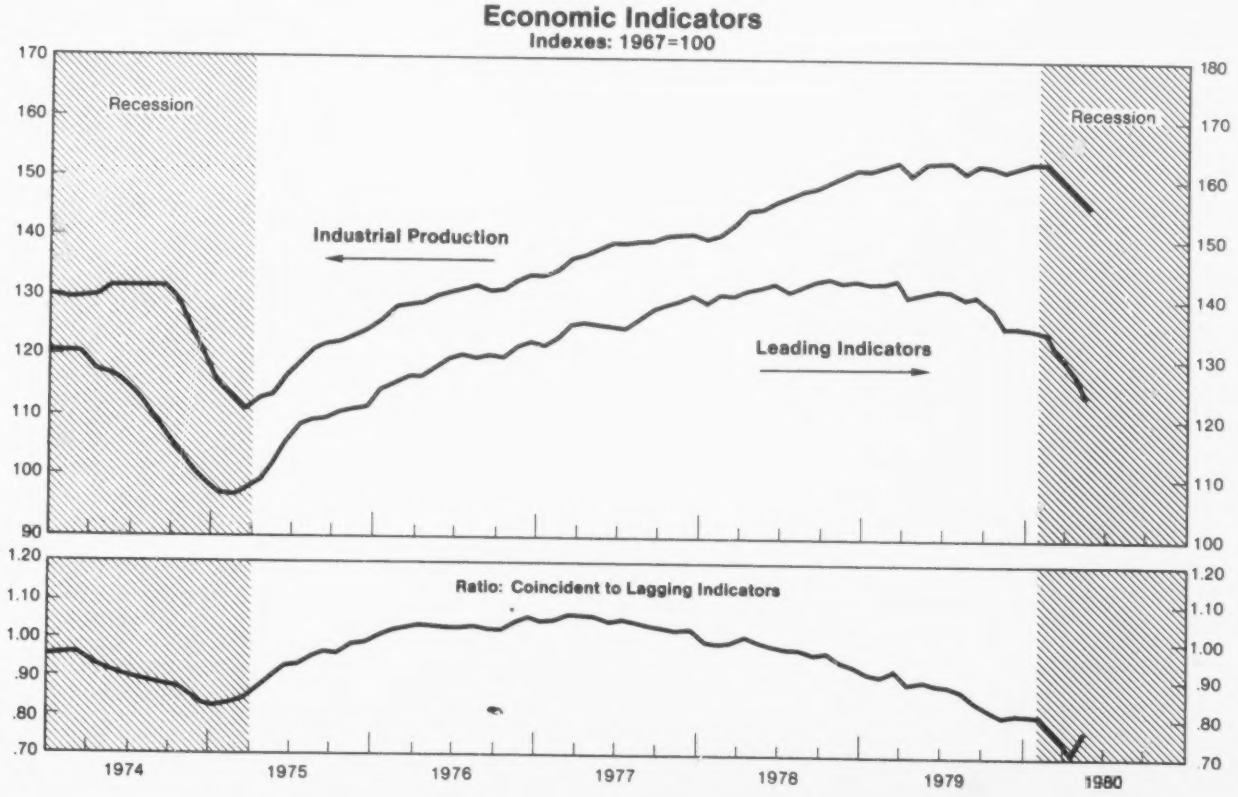


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May			X	— 8.7%	—12.7%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May			X	—13.4%	—11.0%
New orders, nondefense capital goods (deflated)	May			X	— 7.4%	— 9.8%
*Net business formation	Mar.			X	— 2.4%	— 1.4%
*Housing permits	May			X	—27.8%	—49.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May			X	—19.6%	—22.3%
*Change in inventory, on hand & order (deflated)	Apr.	X			+ 2.3%	—26.4%
Purchasing agents' buying policy	June			X	—13 %	—25 %
*Vendor performance, reported slower deliveries	May			X	—23.8%	—57.9%
Industrial raw materials prices	June			X	—15.6%	— 9.0%
*Change in sensitive prices	May			X	— 2.8%	— 2.0%
Sensitive Financial Flows						
*Money balance (M2, deflated)	May			X	— 2.2%	— 5.7%
Change in business loans	June			X	— 4.6%	—29.9%
*Change in liquid assets	May		X		— 0.1%	— 0.5%
Change in consumer installment debt	Apr.			X	—40.3%	—73.1%
Profitability						
Total corporate profits, after tax (deflated)	1st Q	X			+ 4.8%	+ 1.7%
*Common stock prices	June	X			+ 9.8%	+13.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	May			X	— 0.7hr	— 0.8hr
Initial unemployment claims (inverted)	May			X	—69.3%	—81.4%
*Layoff rate, mfg. (inverted)	May			X	— 2.2%	— 2.5%

Note: For historical data of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office, July, 1978, p. 100. For a description of the index, see November, 1975, page V)

*These twelve series make up the composite leading index charted below.



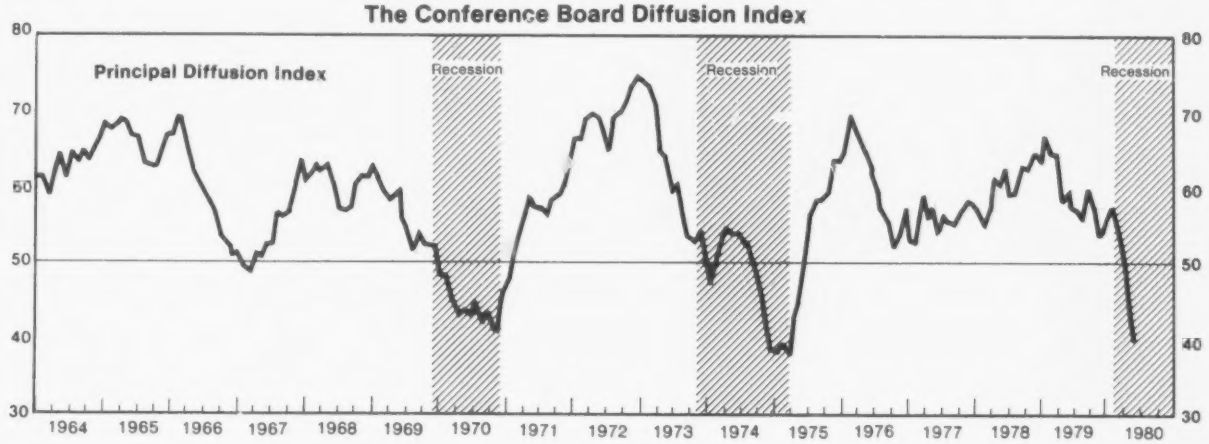
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 May	1980 Feb.	Mar.	Apr.	May(e)
Principal Diffusion Index	58.9	55.3	50.6r	43.4r	39.9
Auxiliary Diffusion Index	53.1	43.3	34.9r	26.5r	38.8
Industrial Group	55.3	47.1	42.9	36.2r	31.0
Nonindustrial Group	62.4	63.5	58.3r	50.6r	48.8
Sense of Diffusion	1	0	0	0	—1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	60.5	52.6	49.6	41.9r	39.3
Labor	47.7	47.6	40.8	34.4	27.9
Miscellaneous	66.7	37.8	38.5	32.1	26.3
Nonindustrial Subgroups					
Prices	65.4	76.3	64.7	54.5	52.6
Consumer	79.5	76.1	69.7	59.0r	59.4
Building	44.9	39.7	33.3	27.6r	25.6
Miscellaneous	55.1	58.1	59.4r	55.1r	51.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977	*1978*				*1979*				*1980*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	52	52	58	49	40	43	41	32	32	40	29
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	46	60	58	45	47	47	28	29	36	16
2. Expectations for Economy, Six Months Ahead	49	49	54	42	33	36	33	29	29	38	31
3. Expectations for Own Industry, Six Months Ahead	58	59	60	49	43	46	43	39	38	45	40

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

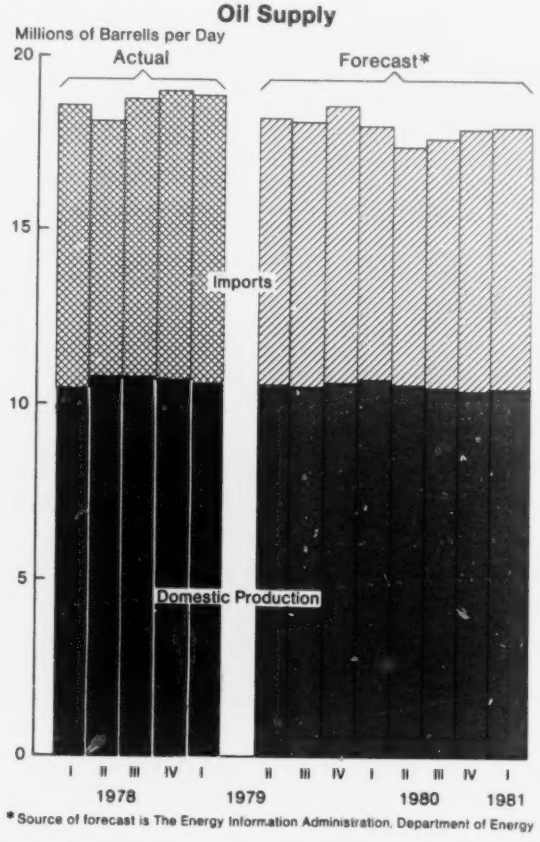
Billions of Dollars, Seasonally Adjusted

	1979			1980				1981			
					PROJECTIONS						
	II	III	IVr	Ip	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
New appropriations	21.033	22.552	23.475	30.481	17.5	16.8	17.8	18.0	18.0	17.6	18.1
Capital expenditures	18.027	18.678	19.702	21.774	18.7	19.3	19.7	19.5	19.2	18.6	18.1
Change in appropriations backlog*	+ 1.468	+ 3.431	+ 3.523	+ 8.015	−2.8	−3.9	−3.3	−2.8	−2.7	−2.4	−1.3
Durable Goods											
New appropriations	10.672	10.384	11.845	14.339	8.2	7.7	6.9	6.4	6.4	6.9	7.3
Capital expenditures	8.379	9.126	9.630	10.619	9.3	9.4	9.1	8.5	7.7	7.0	6.4
Change in appropriations backlog*	+ 1.970	+ 1.182	+ 2.295	+ 3.228							
Nondurable Goods											
New appropriations	10.361	12.168	11.630	16.142	9.3	9.1	10.9	11.6	11.6	10.7	10.9
Capital expenditures	9.648	9.552	10.072	11.155	9.5	9.9	10.6	10.9	11.5	11.6	11.7
Change in appropriations backlog*	−0.502	+ 2.249	+ 1.228	+ 4.787							
ELECTRIC & GAS UTILITIES											
New appropriations	6.763r	10.913	8.809								
Capital expenditures	7.149r	7.139	6.994								
Change in appropriations backlog*	−1.737r	+ 3.276	−7.236								

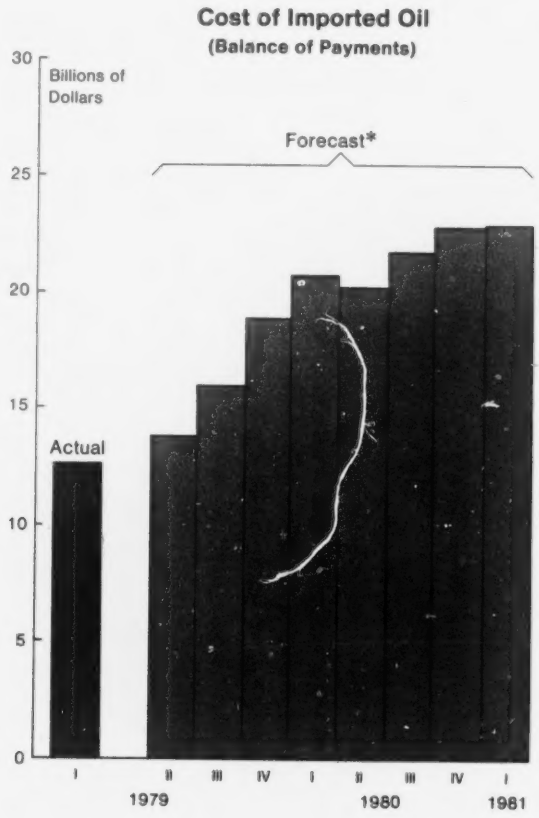
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

r—revised p—preliminary

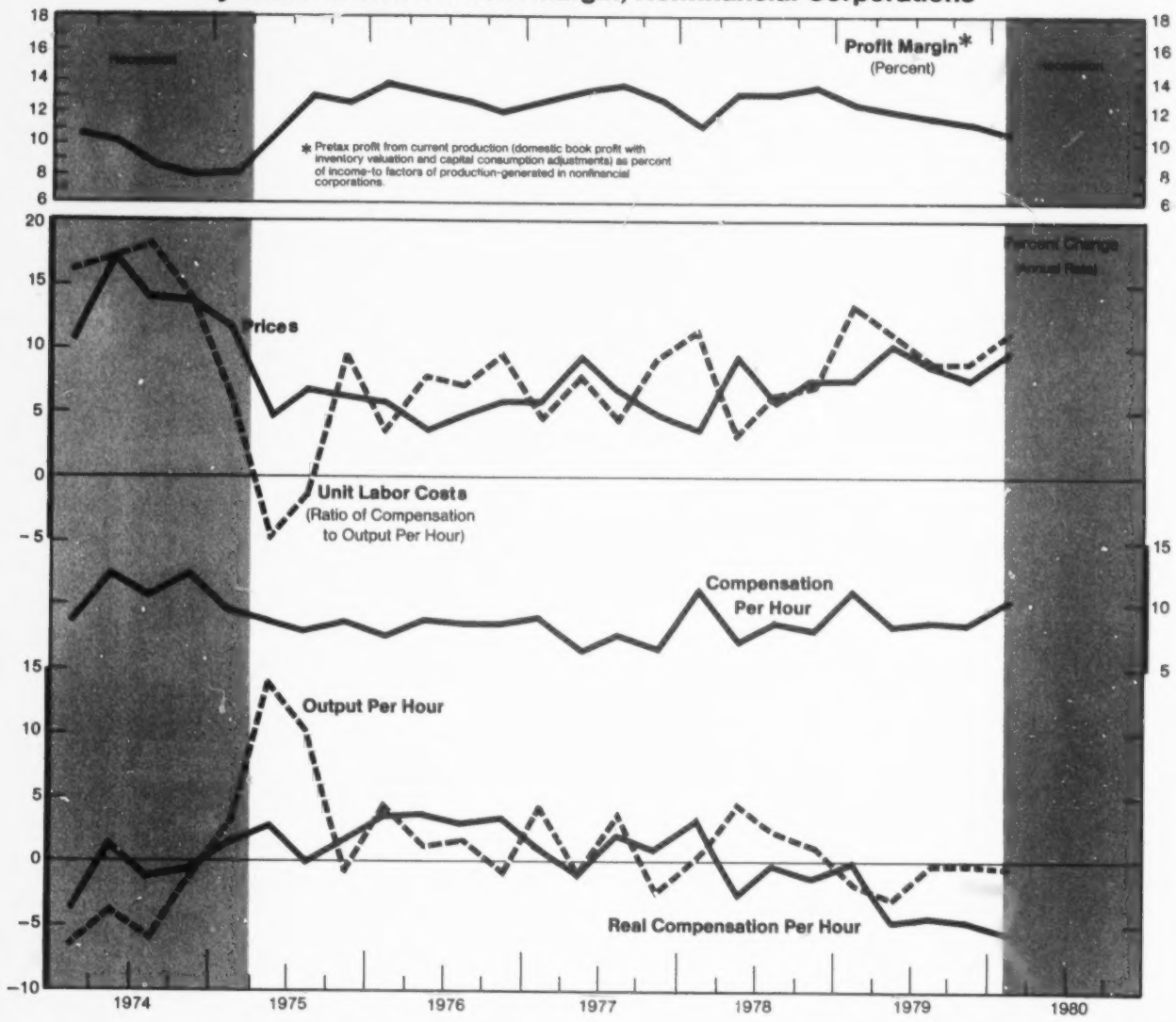
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

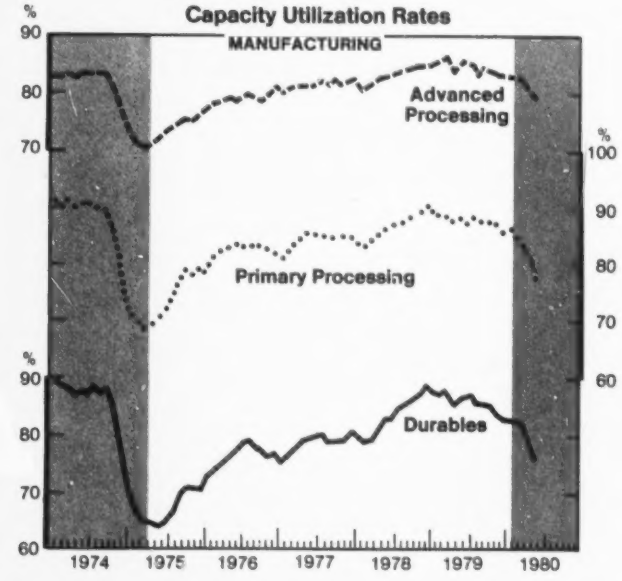


* Source of forecast is The Energy Information Administration, Department of Energy



Key Determinants of Profit Margin, Nonfinancial Corporations





Seasonally Adjusted

ECONOMIC FORECASTS

			U.C.L.A.[1]		Merrill Lynch Economics Inc.[2]		Kent Economic Institute[3]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*June, 1980*		*June, 1980*		*June, 1980*		*March, 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**I**			**$2520.8**	**10.8%**	**$2520.8**	**10.8%**		
Forecast	1980	II	$2530.7	2.3%	2522.3	0.2	2547.2	4.3	$2581.3	7.9%
		III	2549.7	3.0	2522.4	0.0	2605.9	9.5	2639.2	9.3
		IV	2598.5	7.9	2560.0	6.1	2672.2	10.6	2693.0	8.4
	1981	I	2678.1	12.8	2600.6	6.5	2732.6	9.4	2740.4	7.2
		II	2770.2	14.5	2682.3	13.2	2826.0	14.4	2798.2	8.7
		III	2863.9	14.2	2769.3	13.6	2919.6	13.9	2865.0	9.9
		IV	2972.0	16.0	2859.9	13.7	3009.6	12.9		
	1982	I			2946.5	12.7	3074.7	8.9		
	1980	Annual	2548.7	7.6	2531.4	6.9	2586.5	9.2	2611.5	10.2
	1981	Annual	2821.0	10.7	2728.0	7.8	2871.9	11.0		
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**I**			**$1444.7**	**1.2%**	**$1444.7**	**1.2%**		
Forecast	1980	II	$1416.5	−7.0%	1415.1	−7.9	1428.6	−4.4	$1435.3	−3.2%
		III	1394.5	−6.1	1391.6	−6.5	1427.1	−0.4	1432.3	−0.8
		IV	1386.8	−2.2	1385.5	−1.7	1430.5	1.0	1430.0	−0.6
	1981	I	1397.8	3.2	1384.0	−0.4	1435.2	1.3	1427.4	−0.7
		II	1412.3	4.2	1404.2	6.0	1448.5	3.8	1429.2	0.5
		III	1425.6	3.8	1428.3	7.0	1456.9	2.3	1436.1	1.9
		IV	1443.1	5.0	1450.3	6.3	1467.4	2.9		
	1982	I			1470.6	5.7	1483.2	4.4		
	1980	Annual	1410.1	−1.5	1409.2	−1.6	1432.7	0.1	1436.2	0.3
	1981	Annual	1419.7	0.7	1416.7	0.5	1452.0	1.3		
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**I**			**174.5**	**9.5%**	**174.5**	**9.5%**		
Forecast	1980	II	178.7	10.1%	178.2	8.9	178.3	9.0	178.8	11.5%
		III	182.8	9.7	181.3	6.9	182.6	10.0	184.3	10.2
		IV	187.4	10.3	184.8	8.0	186.8	9.5	186.3	9.1
	1981	I	191.6	9.3	187.9	7.0	190.4	7.9	192.0	8.0
		II	196.1	9.9	191.0	6.8	195.1	10.2	195.8	8.2
		III	200.9	10.0	193.9	6.1	200.4	11.3	199.5	7.8
		IV	205.9	10.5	197.2	7.0	205.1	9.7		
	1982	I			200.3	6.6	207.3	4.4		
	1980	Annual	180.8	9.3	179.6	8.6	180.5	9.1	181.9	9.9
	1981	Annual	198.6	9.9	192.6	7.2	197.7	9.5		
Unemployment Rate										
Actual	**1980**	**I**			**6.1%**		**6.1%**			
Forecast	1980	II	7.4%		7.6		7.7		6.5%	
		III	8.3		8.6		8.2		7.0	
		IV	9.0		9.2		8.0		7.4	
	1981	I	9.0		9.6		7.6		7.8	
		II	8.7		9.6		7.2		8.2	
		III	8.5		9.4		7.1		8.4	
		IV	8.3		9.0		6.6			
	1982	I			8.7		6.6			
	1980	Annual	7.7		7.9		7.5		6.8	
	1981	Annual	8.6		9.4		7.1			

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on revised (second revision) fourth quarter data.

[2]Based on revised (first revision) first quarter data.

[3]Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

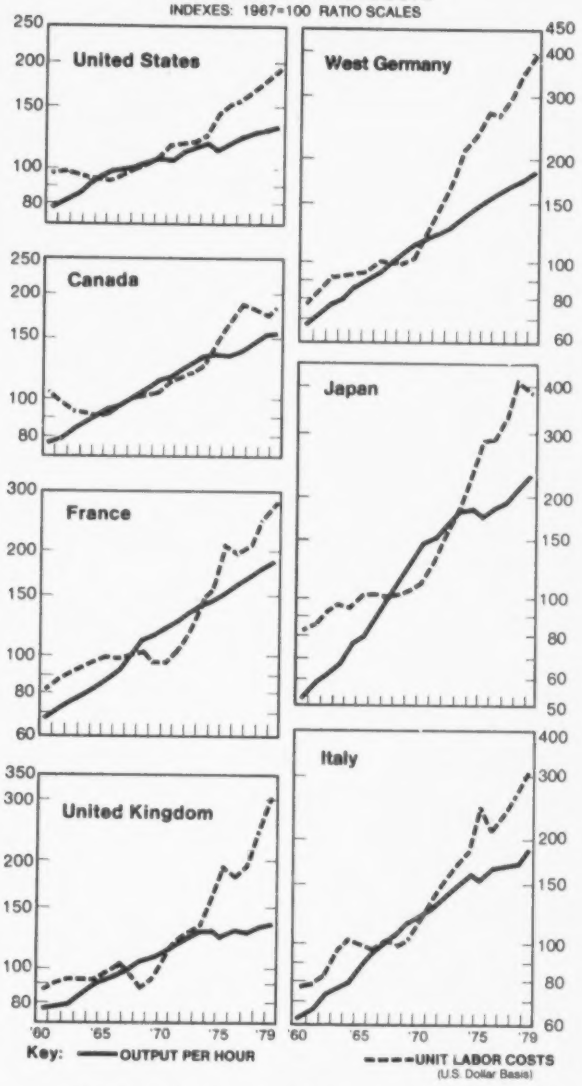
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
June, 1980		*June, 1980*		*June, 1980*		*June, 1980*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Current Dollars		
$2520.8	**10.8%**	**$2520.8**	**10.8%**	**$2520.8**	**10.8%**	**$2520.8**	**10.8%**	**I**	**1980**	**Actual**
2502.0	—2.9	2525.1	0.7	2518.4	—0.4	2530.0	1.5	II	1980	Forecast
2514.0	1.9	2532.0	1.1	2527.9	1.5	2534.8	0.8	III		
2542.0	4.5	2580.0	7.8	2568.9	6.6	2590.6	9.1	IV		
2603.0	9.9	2656.2	12.3	2640.7	11.7	2670.5	12.9	I	1981	
2698.0	15.4	2743.2	13.8	2725.5	13.5	2746.1	11.8	II		
2768.0	10.5	2813.2	10.6	2821.0	14.8	2827.2	12.3	III		
2842.0	11.5	2897.1	12.5	2924.2	15.5	2919.7	13.7	IV		
		2983.6	12.5	3027.9	15.0	3012.8	13.4	I	1982	
2519.7	6.4	2539.5	7.2	2534.0	7.0	2544.0	7.4	Annual	1980	
2727.2	8.2	2777.4	9.4	2777.6	9.6	2790.9	9.7	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1444.7	**1.2%**	**$1444.7**	**1.2%**	**$1444.7**	**1.2%**	**$1444.7**	**1.2%**	**I**	**1980**	**Actual**
1407.1	—10.0	1414.4	—8.1	1411.4	—8.9	1414.4	—8.1	II	1980	Forecast
1390.9	—4.5	1392.9	—5.9	1389.7	—6.0	1389.0	—7.0	III		
1380.2	—3.0	1389.2	—1.1	1383.3	—1.8	1386.4	—0.7	IV		
1391.8	3.4	1397.7	2.5	1394.5	3.3	1395.3	2.6	I	1981	
1418.4	7.9	1409.8	3.5	1408.4	4.0	1405.4	2.9	II		
1429.0	3.0	1419.8	2.9	1426.3	5.2	1418.7	3.8	III		
1442.3	3.8	1431.7	3.4	1444.6	5.2	1434.1	4.4	IV		
		1444.1	3.5	1464.1	5.5	1451.2	4.9	I	1982	
1405.7	—1.8	1410.3	—1.5	1407.3	—1.7	1408.8	—1.6	Annual	1980	
1420.4	1.0	1414.7	0.3	1418.4	0.8	1413.4	0.3	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
174.5	**9.5%**	**174.5**	**9.5%**	**174.5**	**9.5%**	**174.5**	**9.5%**	**I**	**1980**	**Actual**
177.8	7.8	178.5	9.6	178.4	9.4	178.9	10.4	II	1980	Forecast
180.7	6.8	181.6	7.5	181.9	8.0	182.5	8.3	III		
184.2	7.8	185.7	9.0	185.7	8.6	186.9	9.9	IV		
187.0	6.3	190.0	9.6	189.4	8.1	191.4	10.1	I	1981	
190.2	7.0	194.6	9.9	193.5	9.1	195.4	8.6	II		
193.6	7.2	198.1	7.5	197.8	9.1	199.3	8.2	III		
197.0	7.4	202.4	8.8	202.4	9.7	203.6	8.9	IV		
		206.6	8.7	206.8	9.0	207.6	8.1	I	1982	
179.3	8.4	180.1	8.9	180.1	8.9	180.7	9.2	Annual	1980	
192.0	7.1	196.3	9.0	195.8	8.7	197.4	9.3	Annual	1981	
								Unemployment Rate		
6.1%		**6.1%**		**6.1%**		**6.1%**		**I**	**1980**	**Actual**
7.6		7.5		7.6		7.6		II	1980	Forecast
8.5		8.2		8.3		8.1		III		
9.0		8.7		8.8		8.5		IV		
8.9		8.6		9.0		8.5		I	1981	
8.2		8.5		8.8		8.4		II		
7.9		8.6		8.6		8.3		III		
7.6		8.5		8.4		8.1		IV		
		8.3		8.1		7.7		I	1982	
7.8		7.6		7.7		7.8		Annual	1980	
8.1		8.5		8.7		8.3		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

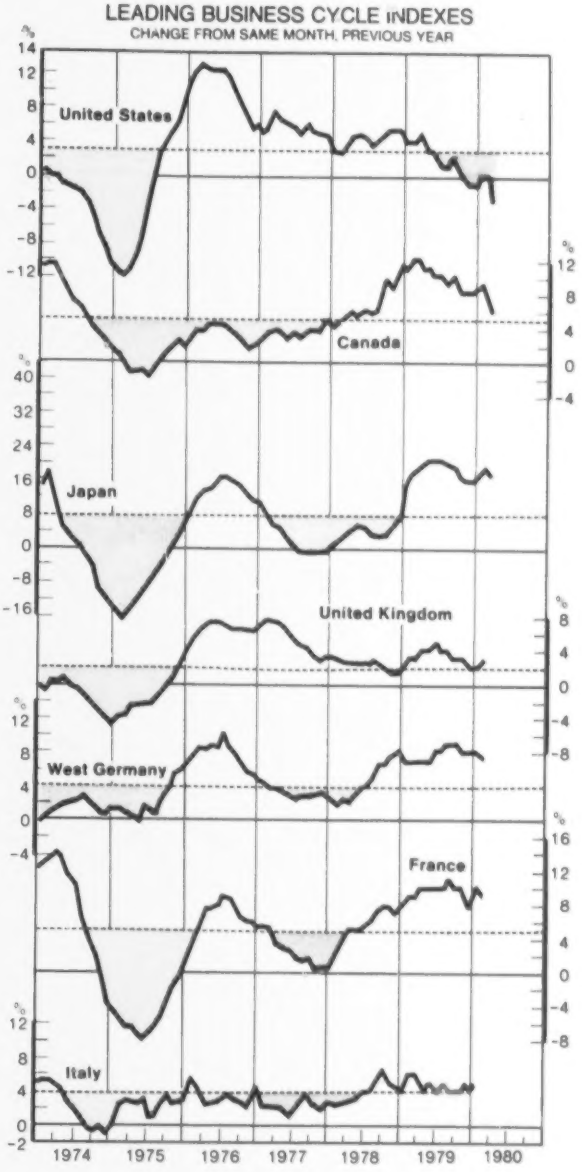
PRODUCTIVITY AND COSTS

INDEXES: 1967=100 RATIO SCALES

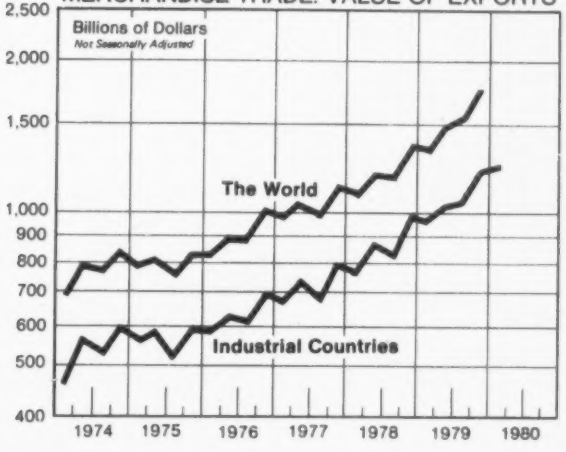


LEADING BUSINESS CYCLE INDEXES

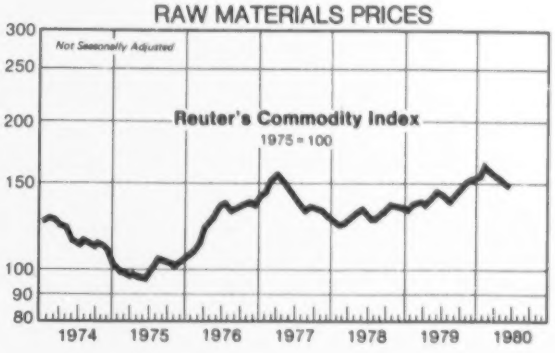
CHANGE FROM SAME MONTH, PREVIOUS YEAR



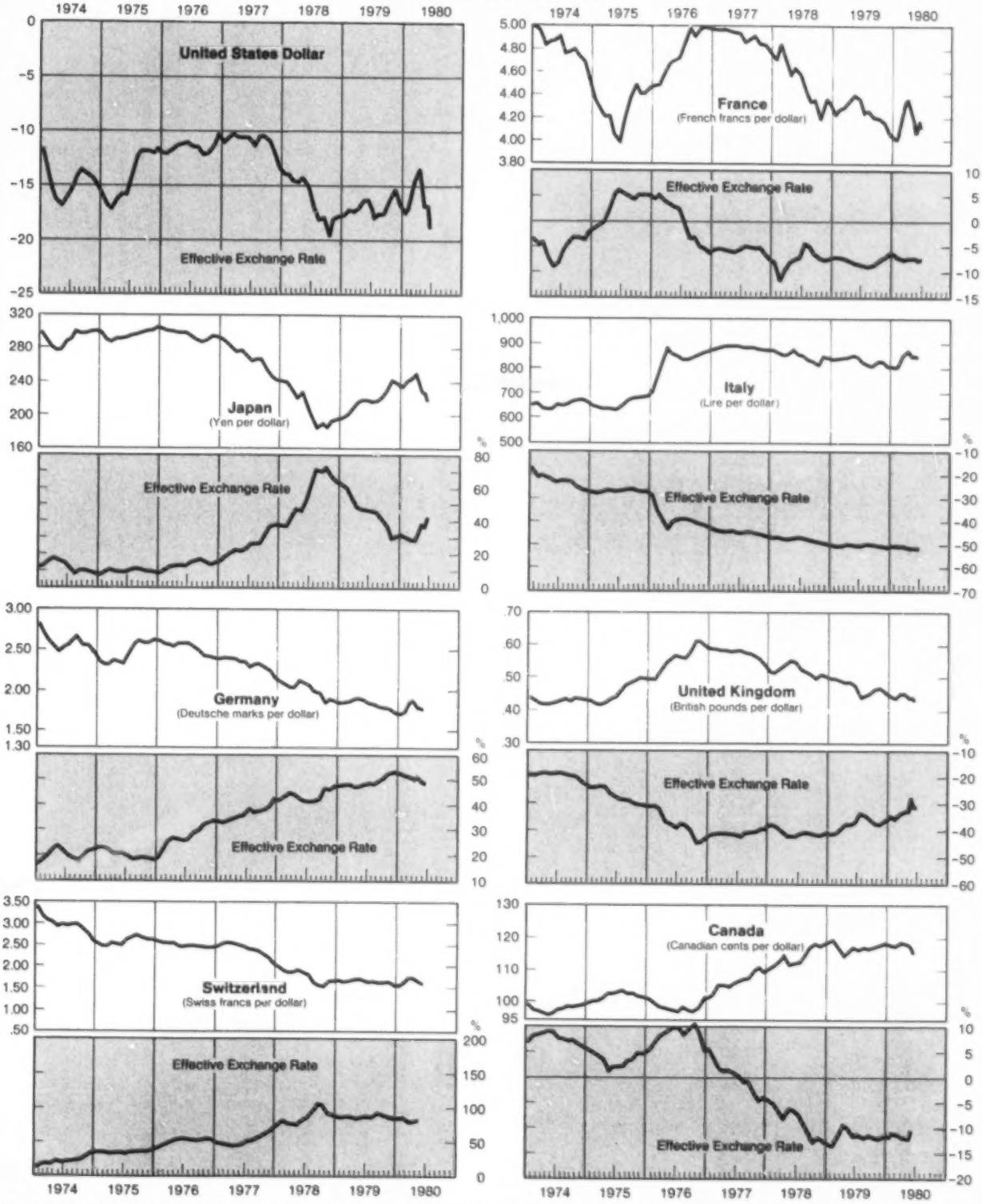
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



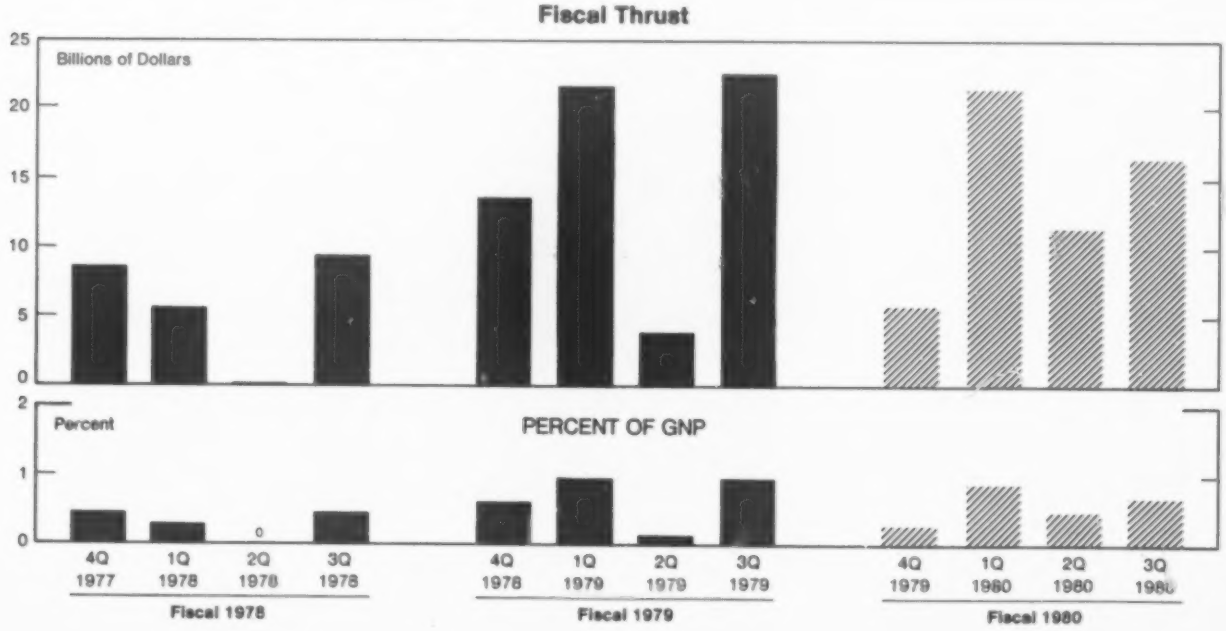
Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust.

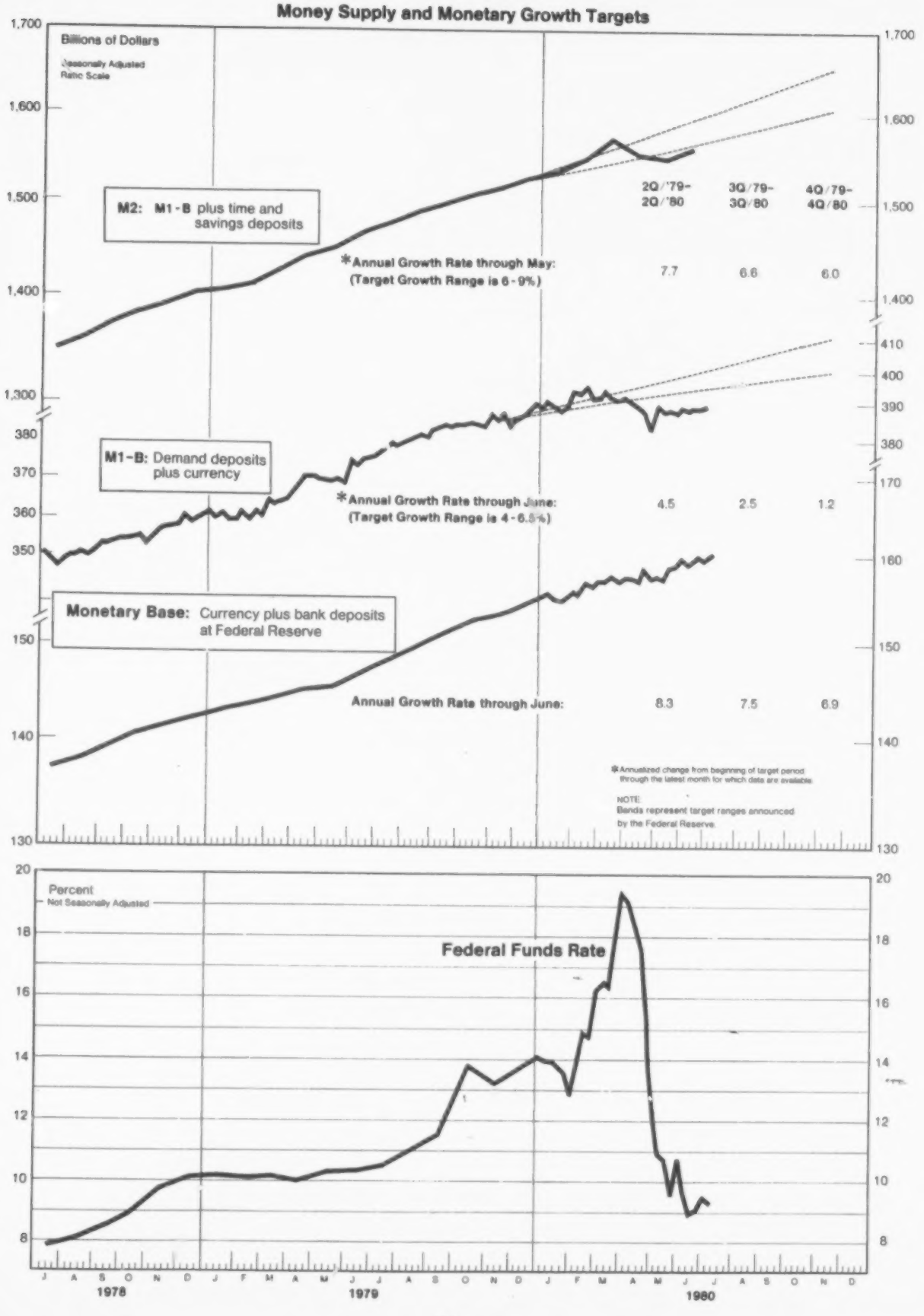
PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Latest President's Proposal (3/31/80)	Congressional Resolution (6/12/80)	Current Services (1/28/80)	Latest President's Proposal (3/31/80)	Congressional Resolution (6/12/80)
Receipts	**$504.5**	**$532.4**	**525.7**	**579.0**	**628.0**	**613.8**
Outlays	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Deficit	**−31.6**	**−36.5**	**46.8**	**−33.0**	**+ 16.5**	**0.2**
Receipts by source	**504.5**	**532.4**	**525.7**	**579.0**	**628.0**	**613.8**
Individual income taxes	229.6	241.5	241.0	273.3	279.9	283.1
Corporate income taxes	71.0	74.2	71.4	74.7	74.1	67.6
Social insurance	161.2	163.5	163.5	186.0	188.9	189.9
Other receipts	42.7	53.2	49.8	45.0	85.1	74.2
Outlays by function	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Income security	179.5	190.0	191.7	219.9	220.1	219.6
National defense	125.5	134.0	135.7	142.4	150.5	153.7
Health	55.1	56.5	56.5	63.4	61.9	61.7
Education and manpower	31.0	30.1	29.9	32.5	30.6	29.5
Veterans' benefits	20.4	20.7	20.5	21.7	21.4	21.2
Transportation	18.0	20.5	20.1	20.1	19.0	18.8
Natural resources and environment	11.8	12.8	13.6	12.8	12.5	12.1
Revenue sharing	9.2	8.8	8.6	8.5	7.4	6.8
International affairs	7.9	11.1	10.5	9.6	10.1	9.5
Community development	7.2	9.0	9.7	8.5	8.5	9.2
Energy	8.0	6.8	6.4	7.1	6.9	6.8
General science	5.4	5.9	5.9	6.3	6.2	6.1
General government	4.2	4.8	4.4	4.9	4.8	4.3
Justice	4.3	4.6	4.4	4.7	4.6	4.6
Agriculture	5.0	5.1	5.9	3.2	2.0	2.3
Commerce and housing credit	3.4	6.2	6.1	0.8	0.4	0.0
Interest	57.1	64.3	65.1	68.4	68.4	72.2
Allowances	2.1	—	0.0	2.4	1.4	0.0
Undistributed offsetting receipts	−19.0	−22.2	−22.3	−25.1	−24.9	−24.7

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*: Fiscal 1977, No. 2, The Conference Board, New York: 1976

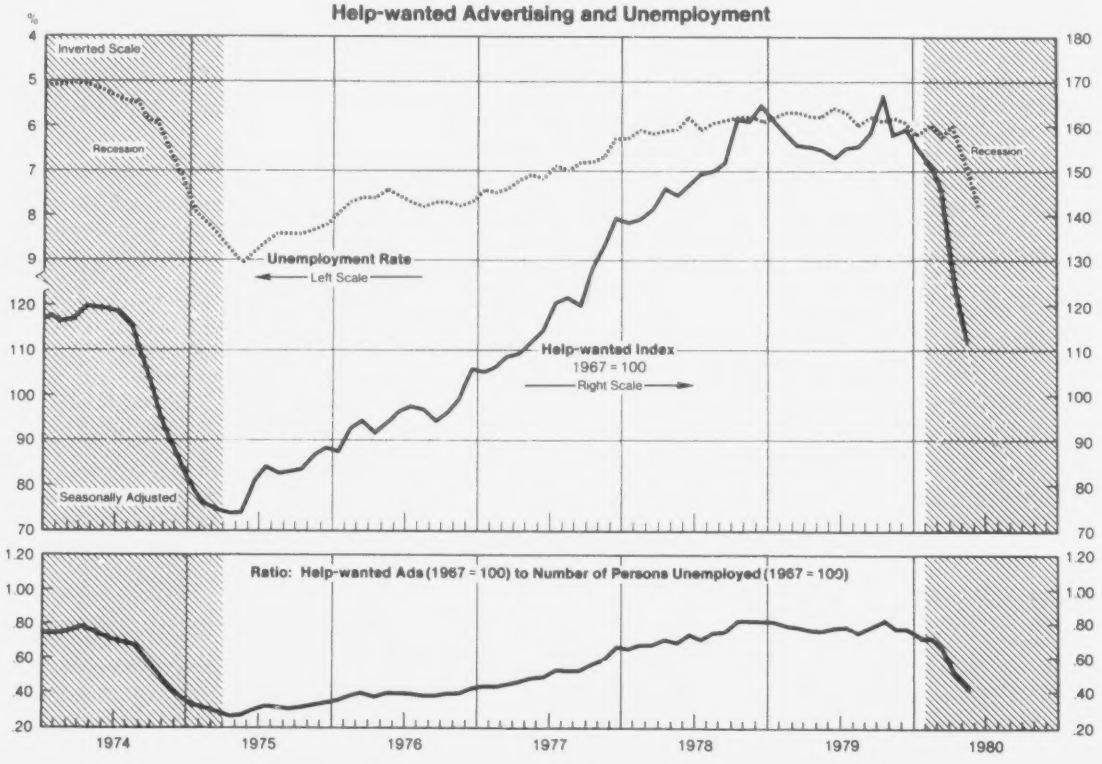

Money Supply and Monetary Growth Targets
Billions of Dollars
Seasonally Adjusted
Ratio Scale
M2: M1-B plus time and savings deposits
M1-B: Demand deposits plus currency
Monetary Base: Currency plus bank deposits at Federal Reserve
2Q/'79-2Q/'80
3Q/79-3Q/80
4Q/79-4Q/80
*Annual Growth Rate through May:
(Target Growth Range is 6-9%)
7.7
6.6
6.0
*Annual Growth Rate through June:
(Target Growth Range is 4-6.5%)
4.5
2.5
1.2
Annual Growth Rate through June:
8.3
7.5
6.9
*Annualized change from beginning of target period through the latest month for which data are available.
NOTE:
Bands represent target ranges announced by the Federal Reserve.
Percent
Not Seasonally Adjusted
Federal Funds Rate
1978
1979
1980

CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	May	Apr.	Mar.	May
Total Index 51 papers	112	122	145	154
New England	113	117	134	135
Boston	122	124	141	142
Hartford	130	139	160	152
Providence	69	76	86	98
Middle Atlantic	57	59	67	70
Albany	78	85	103	104
Allentown	100	134	123	152
New York	54	52	58	58
Philadelphia	49	53	59	64
Pittsburgh	71	77	98	99
Rochester	52	58	66	78
Syracuse	71	72	78	93
East North Central	69	78	93	123
Chicago	67	74	87	116
Cincinnati	100	118	133	171
Cleveland	61	75	92	114
Columbus	99	114	134	162
Dayton	64	69	83	101
Detroit	48	56	68	99
Gary	96	100	132	197
Indianapolis	85	92	109	150
Milwaukee	64	79	93	119
Toledo	88	102	116	151
West North Central	80	93	114	134
Kansas City	93	109	135	155
Minneapolis	87	107	137	146
Omaha	101	118	138	169
St. Louis	58	62	72	100
South Atlantic	117	129	155	150
Atlanta	170	193	231	223
Baltimore	74	83	99	105
Charlotte	96	112	136	133
Jacksonville	113	118	132	129
Miami	132	150	177	153
Richmond	83	87	102	117
Washington, D.C.	119	124	154	147
East South Central	106	122r	140r	163
Birmingham	119	124	150	189
Knoxville	183	194	236	220
Louisville	59	67r	87	106
Memphis	102	104	119r	128
Nashville	112	166	162	212
West South Central	240	253	297	291
Dallas	218	233	286	250
Houston	344	363	420	416
New Orleans	171	172	194	199
Oklahoma City	184	192	228	265
San Antonio	153	164	189	178
Tulsa	195	212	247	252
Mountain	236	260	319	378
Denver	184	221	272	300
Phoenix	270	298	367	406
Salt Lake City	289	281	342	490
Pacific	172	189	225	211
Los Angeles	148	167	204	180
Sacramento	239	254	314	315
San Bernardino	120	143	156	158
San Diego	265	294	344	330
San Francisco	182	187	220	207
Seattle	200	215	242	272
Percentage of papers with rising volume	4%	4%	20%	39%
Unemployment rate	7.8%	7.0%	6.2%	5.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5	52.9	42.1r	48.0p						

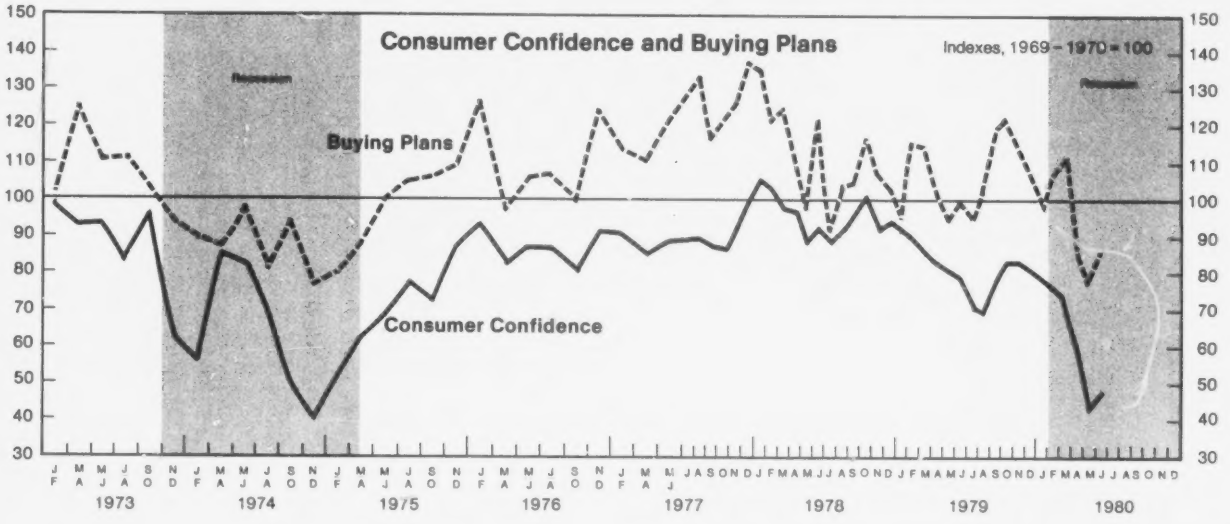
Buying Plans Index

1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4	85.3	76.2r	87.2p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised



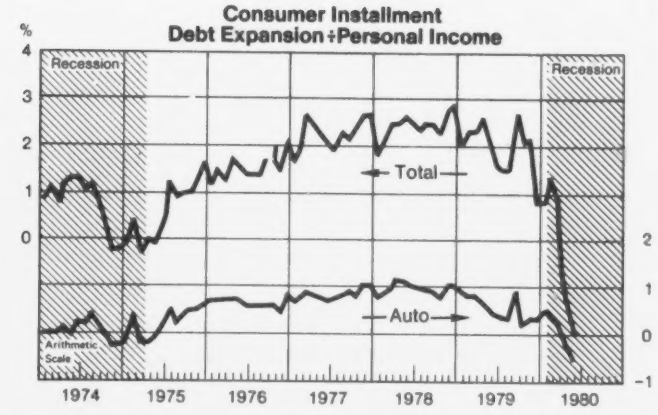
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

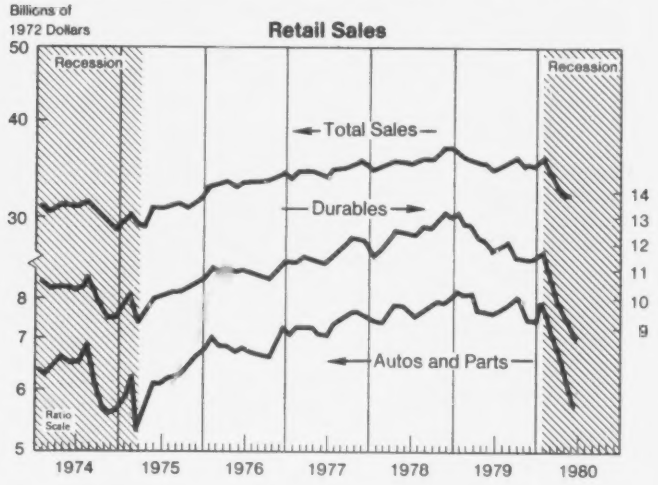
Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised



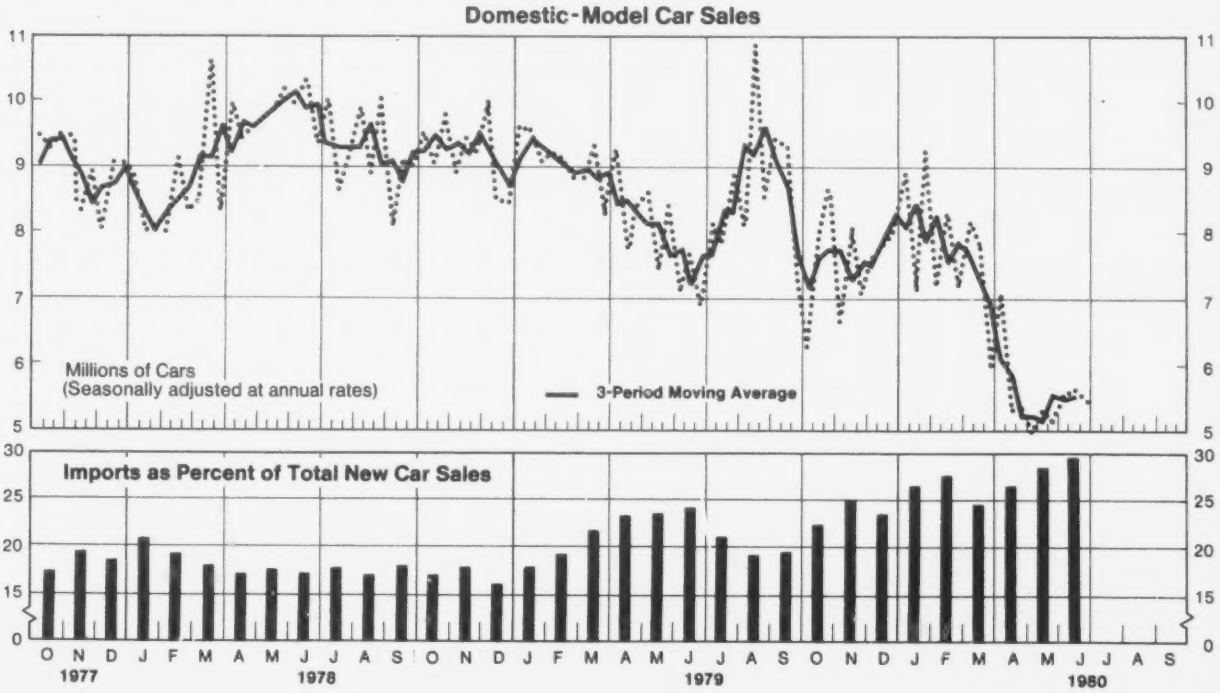


CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.48	5.38
May:	1-10	9.21	9.72	8.52	4.95
	11-20	8.84	9.85	7.41	5.28
	21-31	9.04	10.22	8.42	5.15
June:	1-10	9.75	9.94	6.98	5.57
	11-20	9.31	10.38	7.59	5.60
	21-30	9.60	9.36	6.83	5.41
July:	1-10	9.25	10.04	8.16	
	11-20	8.30	8.69	7.87	
	21-31	9.18	9.15	8.94	
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.



R4105-3 A

STATISTICAL BULLETIN

STATISTICAL REFERENCE INDEX
ACQUISITIONS
7101 WISCONSIN AVE., SUITE 900
WASHINGTON, D. C. 20014

Volume 13 No. 8, August, 1980

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THE CONFERENCE BOARD

comment

This seventh bout of recession in the post-World War II era is now more than half a year old, and there are suggestions that it is also more than half over. Half of the *Economic Forecasts*, including that from The Conference Board, now indicate that a recovery will get under way in the fourth quarter of 1980, and none expects the recession to continue into 1981. The timing and strength of a turnaround in consumer market activity are key determinants of how soon any recovery will get started. It is quite apparent that business investment is going nowhere but down. It is also clear that any strength that develops for recovery will have to do so without the aid of economic stimulus. Monetary and fiscal policy are, at the moment, in a restrictive anti-inflationary stance.

Consumer market activity fell quite sharply in the first half of this year. Retail sales, adjusted for inflation, were 9.6% lower in May than in January. Consumer attitudes turned sharply pessimistic. The Conference Board's *Consumer Confidence Index* had dropped to 42.1 by May (1969-1970 = 100), which was about as low as that series went in the last recession. And consumers were repaying debt at about the same quick pace as that at which they had borrowed one year earlier.

In the past two months, however, consumer attitudes have rebounded a bit, perhaps in response to the lifting of credit controls and the slowing in consumer price increases. The *Consumer Confidence Index* stood at 58.1 in July. Still, the surveys show that consumers remain concerned about the present economic situation, with the improvement in attitudes founded on a more positive outlook for six months hence.

The real volume of retail sales appears to have leveled off in June and July. Even *Automobile Sales*, one segment of economic activity very severely affected by the recession, seems to be stabilizing—although at a very low level. And the net repayment of consumer debt, which continued in June, puts consumer finances in better shape. In sum, the potential for a consumer rebound, while not conclusive, is certainly greater now than it was only a short while ago.

Industrial production and capacity utilization were significantly lower at midyear than at the beginning of the year. The industrial production index in June was down 7.5% from January, a decline that tracks the drop that occurred in the last recession remarkably closely. As the accompanying chart shows, however, it would have to drop much further to match the 1974-1975 experience. Yet, if there is a leveling off in consumer market activity, industrial production could bottom out shortly even though business investment in plant and equipment is quite weak.

The composite index of *Leading Economic Indicators* rose substantially in June. Although there is generally a question of whether one month's reading is an aberration or the beginning of a new trend, this and other evidence for June and July indicate a lessening in the recession's severity, and the possibility that the trough will be reached in a few months.

All of the *Economic Forecasts* were updated in July and they are unanimously more optimistic now than they were only a month ago. Real GNP declined at a very sharp 9.1% annual rate (seasonally adjusted) in the second quarter of 1980. The median of the forecasts shows that real output is falling at about half that rate (4.5%) in the third quarter, and will be essentially unchanged in the fourth quarter (—0.1%). The median of forecasts one month earlier had real GNP declining by 5.9% and 1.1% in the third and fourth quarters, respectively—with a few models showing the recession continuing into the early months of 1981. Not one of the current forecasts shows the recession running on into 1981, and about half have the recession ending in the current quarter.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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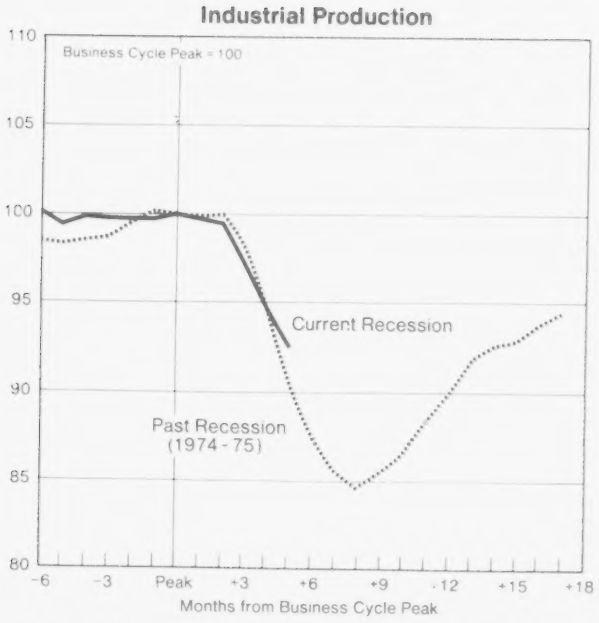
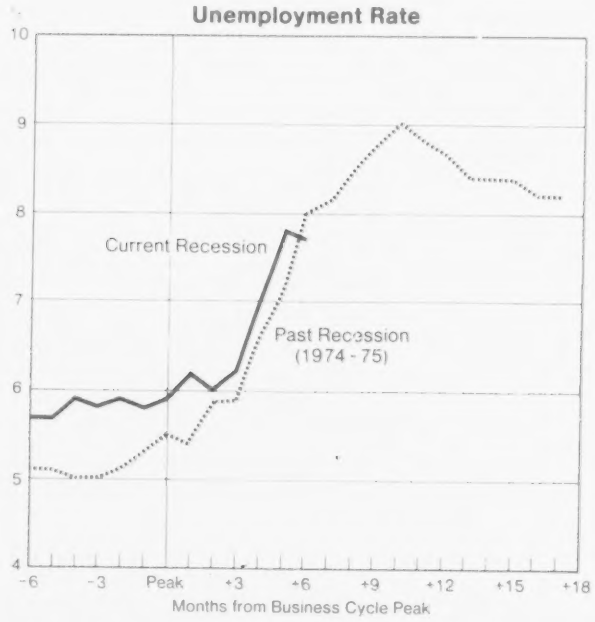
The decline in overall activity in the second quarter resulted in a signifcant rise in unemployment. The national unemployment rate rose from 6.2% in March to 7% in April to 7.8% in May, then held at that level in June and July. The Conference Board's *Help- wanted Index*, a measure of the availability of jobs, shows a similar pattern. This index dropped from a peak level of 167 (1967 = 100) last October to 112 in May, then rose to 115 in June. (Partial returns show it might be up slightly in July.) The *Economic Forecasts* indicate that while the unemployment rate can be expected to rise further, it is not likely to rise as sharply as it did earlier in the recession. The median of the forecasts is that the unemployment rate will average 8.2% in the third quarter and 8.4% in the fourth quarter, and that that is about as high as it will go in this downturn. While there remains a chance that the unemployment rate could rise above 9%, as some of the more pessimistic forecasts indicate, that probability appears to be lower than it seemed only a month ago.

The decline in economic activity is leading to some abatement in the inflationary spiral. As measured by the implicit price deflator for GNP, the rate of inflation in the second quarter was 10.4%, compared with 9.5% in the first quarter. The median of the forecasts is for the inflation rate to drop to 8.1% in the third quarter. Reducing the rate of inflation has been one of the principal aims of both monetary and fiscal policy. New estimates of revenues and expenditures are included in the *Prospective on the Federal Budget* table. The anticipated impact of these proposals is shown in the *Fiscal Thrust* chart. What these data show is that, contrary to the usual practice of imparting some fiscal stimulus to help curtail a downturn in economic activity, a rather restrictive fiscal stance has been proposed with the express purpose of containing inflation. Likewise, data on the *Money Supply and Monetary Policy* chart show that the monetary aggregates are expanding at rates below the targets set by the Open Market Committee. Yet, the Federal Reserve has stated that it will not allow a spurt in the money supply to get it back into the target ranges.

Ken Goldstein



Note: August 1974 is charted as the peak month for the 1974 - 75 recession
January 1980 is charted as the peak month for the current recession

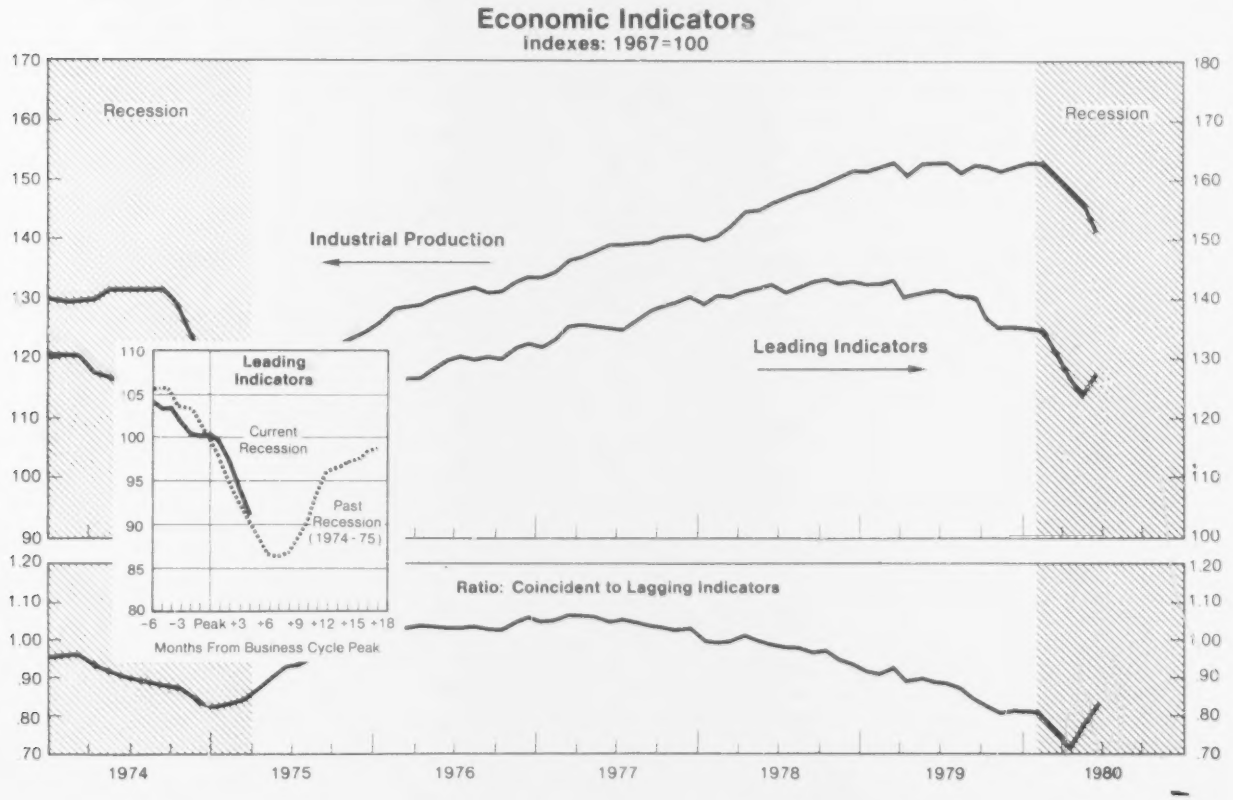


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May			X	−8.7%	−12.7%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	May			X	−13.4%	−11.0%
New orders, nondefense capital goods (deflated)	May			X	− 7.4%	− 9.8%
*Net business formation	Mar.			X	− 2.4%	− 1.4%
*Housing permits	May			X	−27.8%	−49.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May			X	−19.6%	−22.3%
*Change in inventory, on hand & order (deflated)	Apr.	X			+ 2.3%	−26.4%
Purchasing agents' buying policy	July			X	−11 %	−16 %
*Vendor performance, reported slower deliveries	May			X	−23.8%	−57.9%
Industrial raw materials prices	June			X	−15.6%	− 9.0%
*Change in sensitive prices	May			X	− 2.8%	− 2.0%
Sensitive Financial Flows						
*Money balance (M1-B deflated)	May			X	− 2.2%	− 5.7%
Change in business loans	June			X	− 4.6%	−29.9%
*Change in liquid assets	May		X		− 0.1%	− 0.5%
Change in consumer installment debt	Apr.			X	−40.3%	−73.1%
Profitability						
Total corporate profits, after tax (deflated)	4th Q	X			+ 4.8%	+ 1.7%
*Common stock prices	June	X			+ 9.8%	+13.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	June			X	− 0.7hr.	− 1.1hr.
Initial unemployment claims (inverted)	May			X	−69.3%	−81.4%
*Layoff rate, mfg. (inverted)	May			X	− 2.2	− 2.5

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Business Conditions Digest*, (Washington, D.C.: Government Printing Office) November, 1975, page V.

*These twelve series make up the Composite Leading Index charted below.



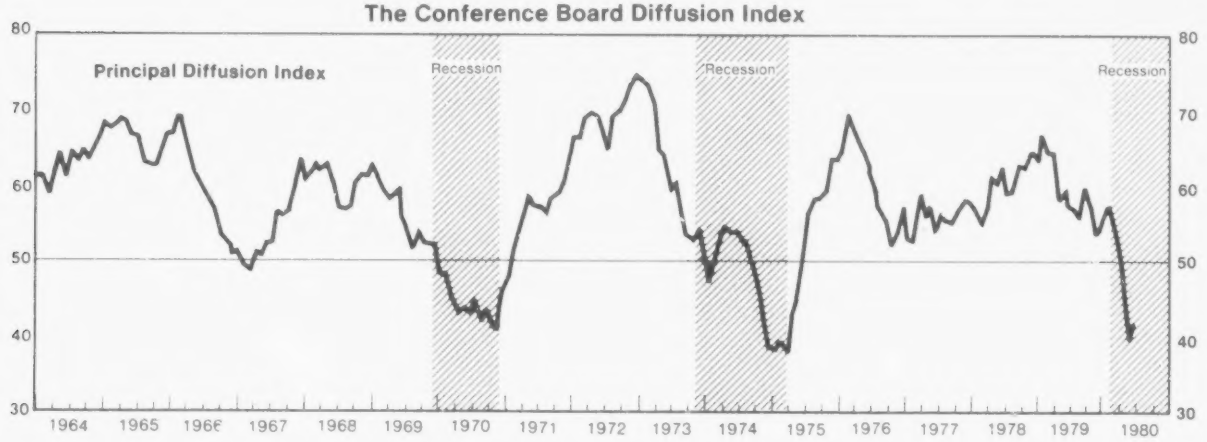
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1979 June	1979 Mar.	1980 Apr.	1980 May	1980 June(e)
Principal Diffusion Index	57.4	50.2r	44.1r	39.8r	41.9
Auxiliary Diffusion Index	45.2	35.0r	30.3r	36.0r	56.7
Industrial Group	53.0	42.1r	36.1r	30.2r	33.7
Nonindustrial Group	61.8	58.3	52.2r	49.5r	50.1
Sense of Diffusion	1.0	0	0	1.0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	65.0	49.6	41.9	34.2r	32.5
Labor	44.0	39.0r	34.2r	29.4r	36.0
Miscellaneous	57.7	38.5	32.1	26.3	29.5
Nonindustrial Subgroups					
Prices	70.5	64.7	54.5	52.6	50.6
Consumer	72.2	59.7	64.1r	59.0r	64.5
Building	44.9	33.3	27.6	25.6	31.7
Miscellaneous	56.8	59.4	55.1	53.8r	47.6

Note: The principal diffusion index reflects the frequency of upward change in 20 component series over the 12-month period ending in the month indicated. The index is based solely on the direction of change from month to month and not on the magnitude of such changes. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than that of earlier movements. If, for example, ten of the component series had increased and ten had decreased in each of the last twelve months, the current index would register a value of 50. But, because of weighting, the index would be considerably greater than 50, if all the series had increased in each of the last six months and had fallen in each of the first six months of the interval. The index closely coincides with turning points at the peak of a business cycle but tends to lag at troughs. For an explanation of the diffusion indexes and their components, see Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966, pp. 12-15.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1977 Nov.	1978 Feb.	1978 May	1978 Aug.	1978 Nov.	1979 Feb.	1979 May	1979 Aug.	1979 Nov.	1980 Feb.	1980 May
	Score (scale 0-100)										
Measure of Business Confidence	52	52	58	49	40	43	41	32	32	40	29
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	46	60	58	45	47	47	28	29	36	16
2. Expectations for Economy, Six Months Ahead	49	49	54	42	33	36	33	29	29	38	31
3. Expectations for Own Industry, Six Months Ahead	58	59	60	49	43	46	43	39	38	45	40

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

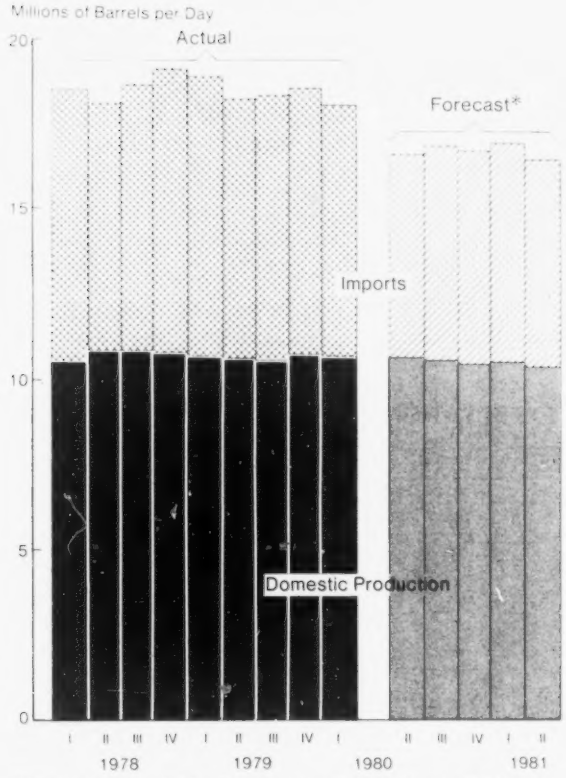
	1979			1980				1981		
				PROJECTIONS						
	II	III	IVr	Ip	II	III	IV	I	II	III	IV
1000 LARGEST MANUFACTURING FIRMS											
Newly approved	21.033	22.552	23.475	30.481	17.5	16.8	17.8	18.0	18.0	17.6	18.1
Capital expenditures	18.027	18.678	19.702	21.774	18.7	19.3	19.7	19.5	19.2	18.6	18.1
Change in appropriations backlog	+ 1.468	+ 3.431	+ 3.523	+ 8.015	—2.8	—3.9	—3.3	—2.8	—2.7	—2.4	—1.3
Durable Goods											
Newly approved	10.672	10.384	11.845	14.339	8.2	7.7	6.9	6.4	6.4	6.9	7.3
Capital expenditures	8.379	9.126	9.630	10.619	9.3	9.4	9.1	8.5	7.7	7.0	6.4
Change in appropriations backlog	+ 1.970	+ 1.182	+ 2.295	+ 3.228							
Nondurable Goods											
New appropriations	10.361	12.168	11.630	16.142	9.3	9.1	10.9	11.6	11.6	10.7	10.9
Capital expenditures	9.648	9.552	10.072	11.155	9.5	9.9	10.6	10.9	11.5	11.6	11.7
Change in appropriations backlog	—0.502	+ 2.249	+ 1.228	4.787							
ELECTRIC & GAS UTILITIES											
New appropriations	6.763r	10.913	8.811	15.215							
Capital expenditures	7.149r	7.139	7.031	7.317							
Change in appropriations backlog	—1.737r	+ 3.276	—7.273	+ 5.286							

Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request. Projections are based on The Conference Board's capital appropriations forecasting model.

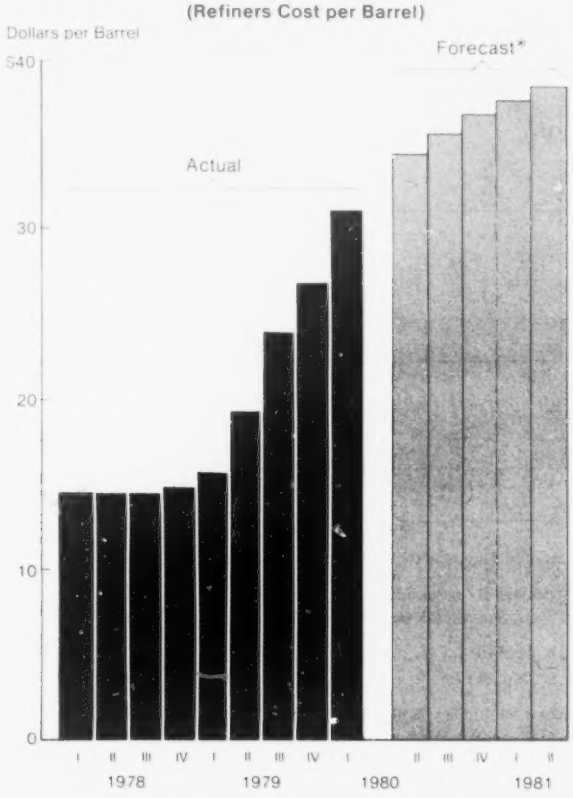
r—revised p—preliminary

*Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

Oil Supply



Cost of Imported Oil
(Refiners Cost per Barrel)



*Source of forecast is The Energy Information Administration, Department of Energy

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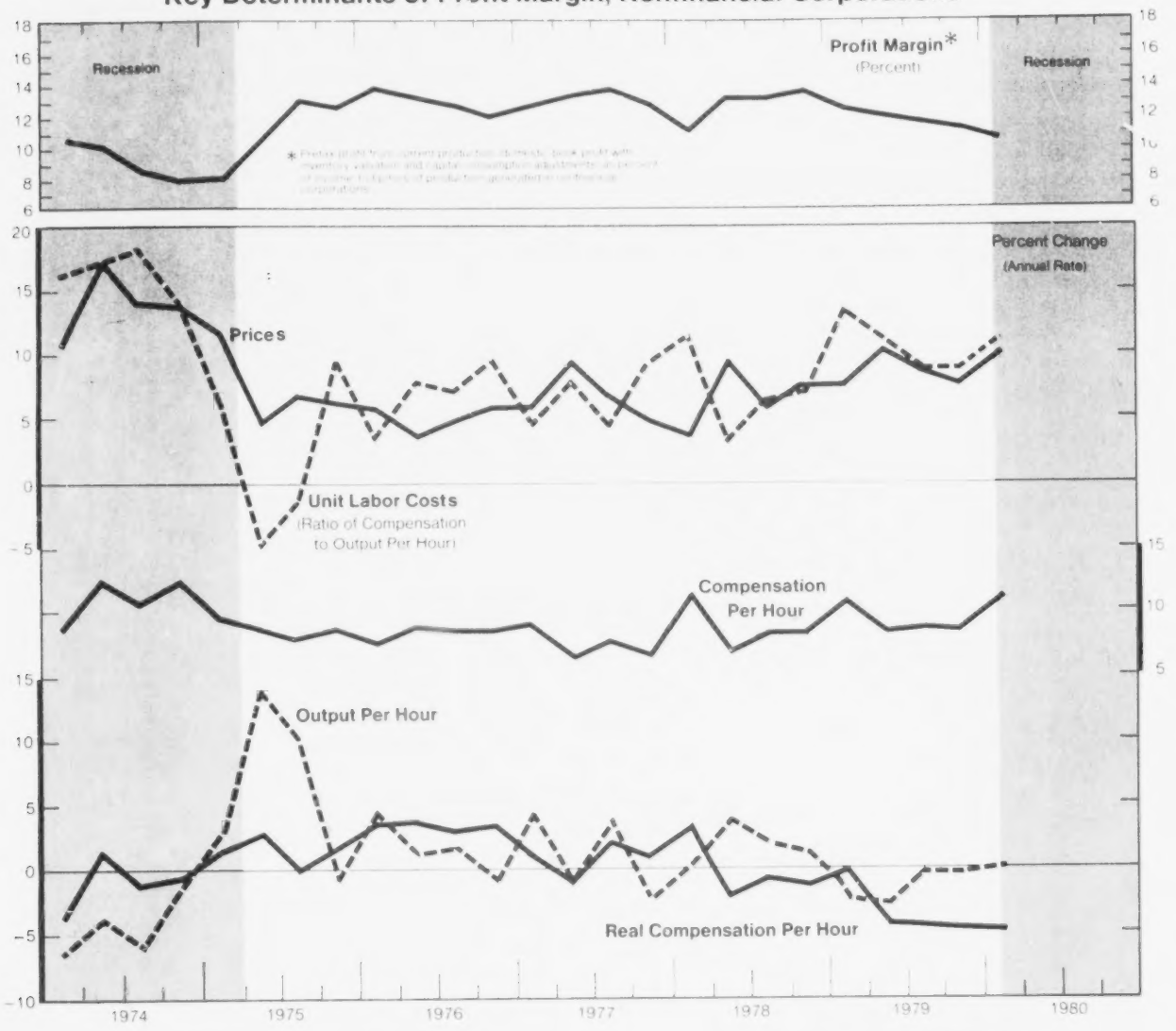
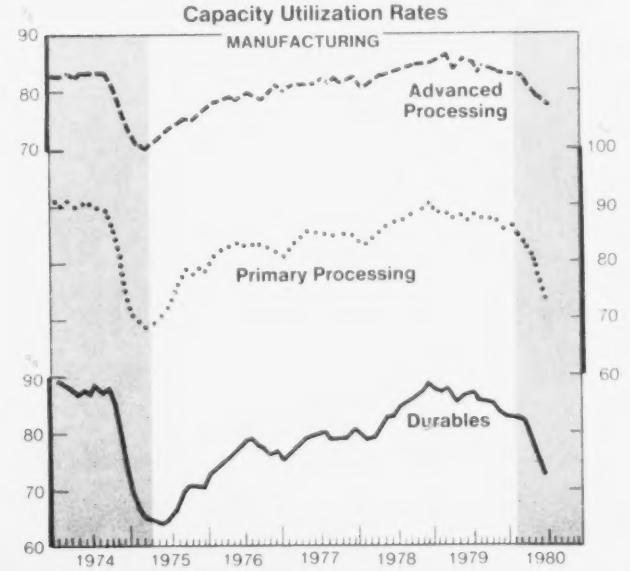
Key Determinants of Profit Margin, Nonfinancial Corporations



Capacity Utilization Rates



Inventory-Sales Ratios

Seasonally Adjusted

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ECONOMIC FORECASTS

			U.C.L.A.[1]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[1]		Michigan Research Seminar in Quantitative Economics[1]	
Date of Forecast			*July, 1980*		*July, 1980*		*July, 1980*		*July, 1980*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Current Dollars										
Actual	**1980**	**II**	**$2523.4**	**0.4%**	**$2523.4**	**0.4%**	**$2523.4**	**0.4%**	**$2523.4**	**0.4%**
Forecast	1980	III	2536.5	2.1	2536.1	2.0	2570.5	7.7	$2544.4	3.4
		IV	2605.0	11.2	2576.3	6.5	2645.4	12.2	2603.2	9.6
	1981	I	2693.2	14.2	2621.6	7.2	2711.7	10.4	2680.7	12.4
		II	2785.7	14.5	2699.7	12.5	2804.4	14.4	2775.5	14.9
		III	2869.7	12.6	2794.0	14.7	2903.7	14.9	2862.4	13.1
		IV	2960.7	13.3	2887.5	14.1	3004.4	14.6	2949.6	12.8
	1982	I	3043.3	11.6	2975.0	12.7	3073.2	9.5	3026.0	10.8
		II			3048.2	10.2	3171.8	13.5		
	1980	Annual	2546.4	7.5	2539.1	7.2	2565.0	8.3	2548.0	7.6
	1981	Annual	2827.3	11.0	2750.7	8.3	2856.0	11.3	2817.1	10.6
Gross National Product Constant (1972) Dollars										
Actual	**1980**	**II**	**$1410.8**	**−9.1%**	**$1410.8**	**−9.1%**	**$1410.8**	**−9.1%**	**$1410.8**	**−9.1%**
Forecast	1980	III	1393.8	−4.7	1392.7	−5.0	1408.5	−0.7	$1395.7	−4.2
		IV	1399.6	1.7	1388.7	−1.1	1416.9	2.4	1396.2	0.2
	1981	I	1412.1	3.6	1391.1	0.7	1425.7	2.5	1405.0	2.5
		II	1425.9	4.0	1411.2	5.9	1436.7	3.1	1421.1	4.7
		III	1433.6	2.2	1437.1	7.5	1451.2	4.1	1433.6	3.6
		IV	1445.5	3.4	1459.7	6.4	1465.3	3.9	1445.6	3.4
	1982	I	1455.7	2.9	1479.6	5.6	1477.5	3.4	1455.9	2.9
		II			1494.2	4.0	1494.7	4.7		
	1980	Annual	1412.2	−1.4	1409.2	−1.6	1420.2	−0.8	1411.9	−1.4
	1981	Annual	1429.3	1.2	1424.8	1.1	1444.7	1.7	1426.3	1.0
Gross National Product Deflator Index, 1972 = 100										
Actual	**1980**	**II**	**178.9**	**10.4%**	**178.9**	**10.4%**	**178.9**	**10.4%**	**178.9**	**10.4%**
Forecast	1980	III	182.0	7.2	182.1	7.4	182.5	8.4	182.3	7.9
		IV	186.1	9.4	185.5	7.7	186.7	9.5	186.4	9.4
	1981	I	190.7	10.3	188.5	6.5	190.2	7.7	190.8	9.7
		II	195.4	10.1	191.3	6.2	195.2	10.9	195.3	9.8
		III	200.2	10.2	194.4	6.7	200.1	10.4	199.7	9.2
		IV	204.7	9.6	197.8	7.2	205.0	10.3	204.0	9.1
	1982	I	209.1	8.5	201.1	6.7	208.0	5.9	207.8	7.7
		II			204.0	6.0	212.2	8.3		
	1980	Annual	180.4	9.0	180.2	8.9	180.6	9.2	180.5	9.1
	1981	Annual	197.8	9.7	193.0	7.1	197.7	9.5	197.5	9.4
Unemployment Rate										
Actual	**1980**	**II**	**7.5%**		**7.5%**		**7.5%**		**7.5%**	
Forecast	1980	III	7.9		8.3		8.2		8.2	
		IV	8.4		9.0		8.0		8.9	
	1981	I	8.2		9.3		7.7		9.2	
		II	7.8		9.1		7.2		9.2	
		III	7.7		8.8		7.1		9.0	
		IV	7.6		8.4		6.6		8.8	
	1982	I	7.5		8.0		6.6		8.6	
		II			7.8		6.4			
	1980	Annual	7.5		7.7		7.4		7.7	
	1981	Annual	7.8		8.9		7.1		9.0	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1]Based on preliminary second quarter data.

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ECONOMIC FORECASTS (continued)

The Conference Board'		Chase Econometric Associates, Inc.'		Data Resources Inc.'		Wharton E.F.A. Inc.'				
July, 1980		July, 1980		July, 1980		July, 1980				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Current Dollars		
$2523.4	0.4%	$2523.4	0.4%	$2523.4	0.4%	$2523.4	0.4%	II	1980	Actual
2537.0	2.2	2532.6	1.5	2545.4	3.5	2540.2	2.7	III	1980	Forecast
2589.0	8.5	2589.0	9.2	2591.4	7.4	2593.3	8.6	IV		
2661.0	11.6	2663.8	12.1	2667.4	12.3	2679.4	14.0	I	1981	
2752.0	14.4	2745.4	12.8	2752.6	13.4	2756.6	12.0	II		
2819.0	10.1	2824.5	12.0	2847.8	14.6	2835.3	11.9	III		
2887.0	10.0	2910.8	12.8	2943.3	14.1	2925.6	13.4	IV		
		3001.1	13.0	3037.2	13.4	3017.9	13.2	I	1982	
		3085.7	11.8	3127.6	12.4	3104.6	12.0	II		
2542.5	7.3	2541.4	7.3	2545.2	7.4	2544.4	7.4	Annual	1980	
2779.7	9.3	2786.1	9.6	2802.8	10.1	2799.2	10.0	Annual	1981	
								Gross National Product Constant (1972) Dollars		
$1440.8	−9.1%	$1410.8	−9.1%	$1410.8	−9.1%	$1410.8	−9.1%	II	1980	Actual
1389.1	−6.0	1390.5	−5.6	1397.9	−3.6	1392.3	−5.1	III	1980	Forecast
1392.6	1.0	1389.2	−0.4	1389.7	−2.3	1387.3	−1.4	IV		
1405.2	3.7	1399.0	2.9	1401.6	3.5	1400.3	3.8	I	1981	
1425.4	5.9	1409.8	3.1	1416.7	4.4	1411.9	3.4	II		
1432.3	1.9	1421.3	3.3	1435.8	5.5	1424.8	3.7	III		
1436.5	1.2	1431.4	2.9	1451.4	4.4	1439.7	4.2	IV		
		1446.3	4.2	1467.5	4.5	1457.3	5.0	I	1982	
		1459.2	3.6	1482.0	4.0	1472.6	4.3	II		
1409.3	−1.6	1408.8	−1.6	1410.8	−1.5	1408.8	−1.6	Annual	1980	
1424.8	1.1	1415.4	0.5	1426.4	1.1	1419.2	0.7	Annual	1981	
								Gross National Product Deflator Index, 1972 = 100		
178.9	10.4%	178.9	10.4%	178.9	10.4%	178.9	10.4%	II	1980	Actual
182.6	8.7	182.1	7.5	182.1	7.4	182.4	8.3	III	1980	Forecast
185.9	7.4	186.4	9.6	186.5	10.0	186.9	10.2	IV		
189.4	7.6	190.4	9.0	190.3	8.5	191.3	9.8	I	1981	
193.1	8.0	194.7	9.4	194.3	8.6	195.2	8.4	II		
196.8	8.0	198.7	8.4	198.3	8.6	199.0	7.9	III		
201.0	8.7	203.4	9.6	202.8	9.3	203.2	8.7	IV		
		207.5	8.4	207.0	8.5	207.1	7.9	I	1982	
		211.5	7.9	211.0	8.1	210.8	7.4	II		
180.5	9.1	180.5	9.1	180.5	9.1	180.7	9.2	Annual	1980	
195.1	8.1	196.8	9.1	196.4	8.8	197.2	9.1	Annual	1981	
								Unemployment Rate		
7.5%		7.5%		7.5%		7.5%		II	1980	Actual
8.2		8.3		7.9		8.1		III	1980	Forecast
8.3		8.7		8.6		8.4		IV		
8.1		8.8		8.7		8.4		I	1981	
7.7		8.7		8.5		8.6		II		
7.5		8.8		8.3		8.5		III		
7.6		8.6		8.2		8.4		IV		
		8.5		8.0		8.1		I	1982	
		8.4		7.7		7.7		II		
7.5		7.6		7.5		7.5		Annual	1980	
7.7		8.7		8.4		8.5		Annual	1981	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

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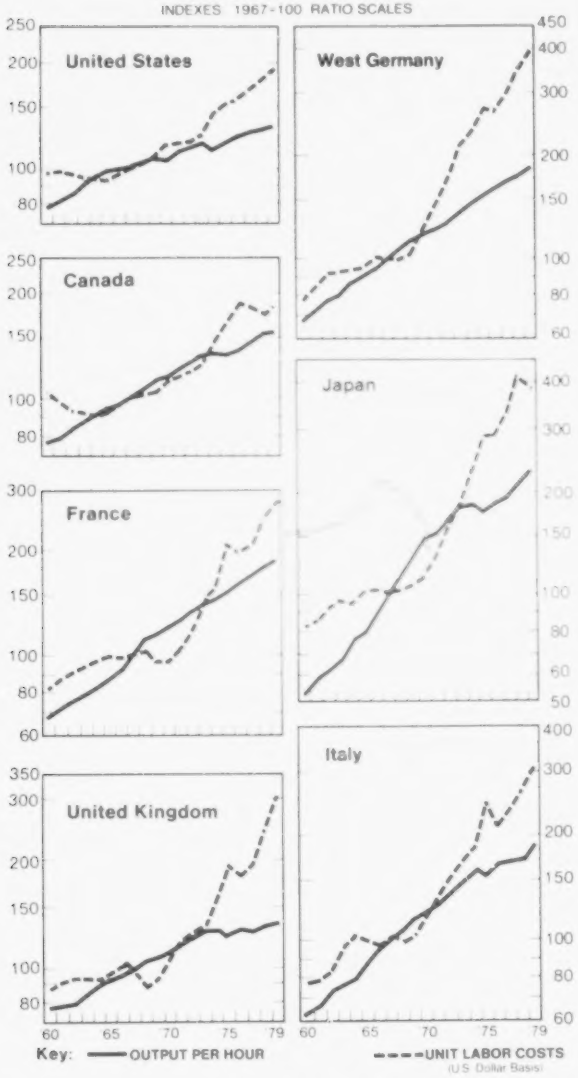
SELECTED INTERNATIONAL COMPARISONS

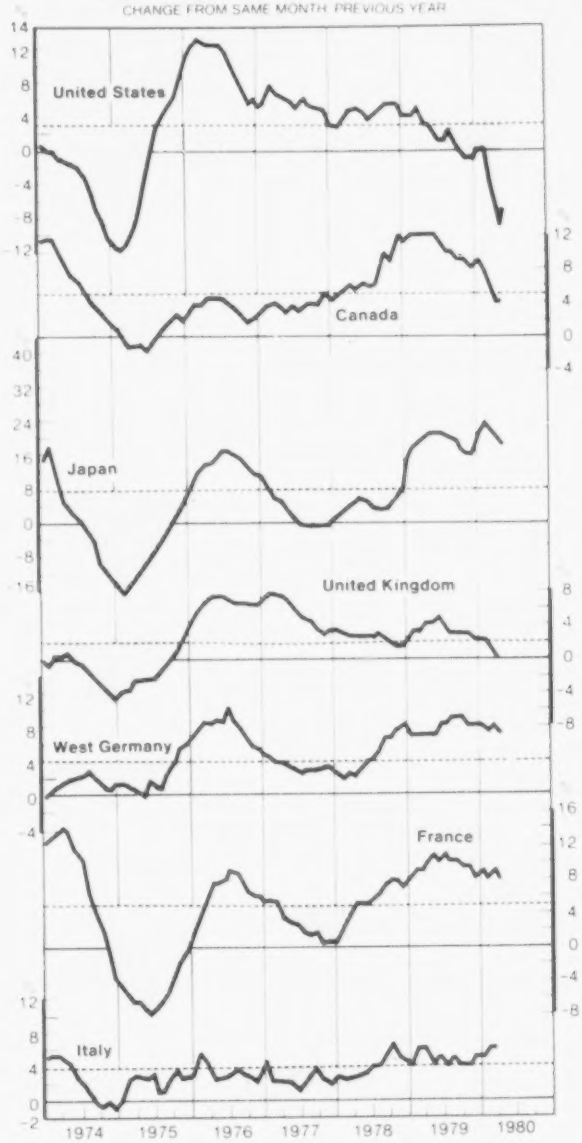
PRODUCTIVITY AND COSTS

INDEXES 1967=100 RATIO SCALES



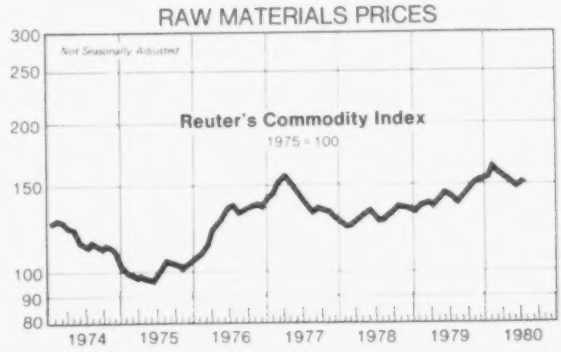
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH PREVIOUS YEAR

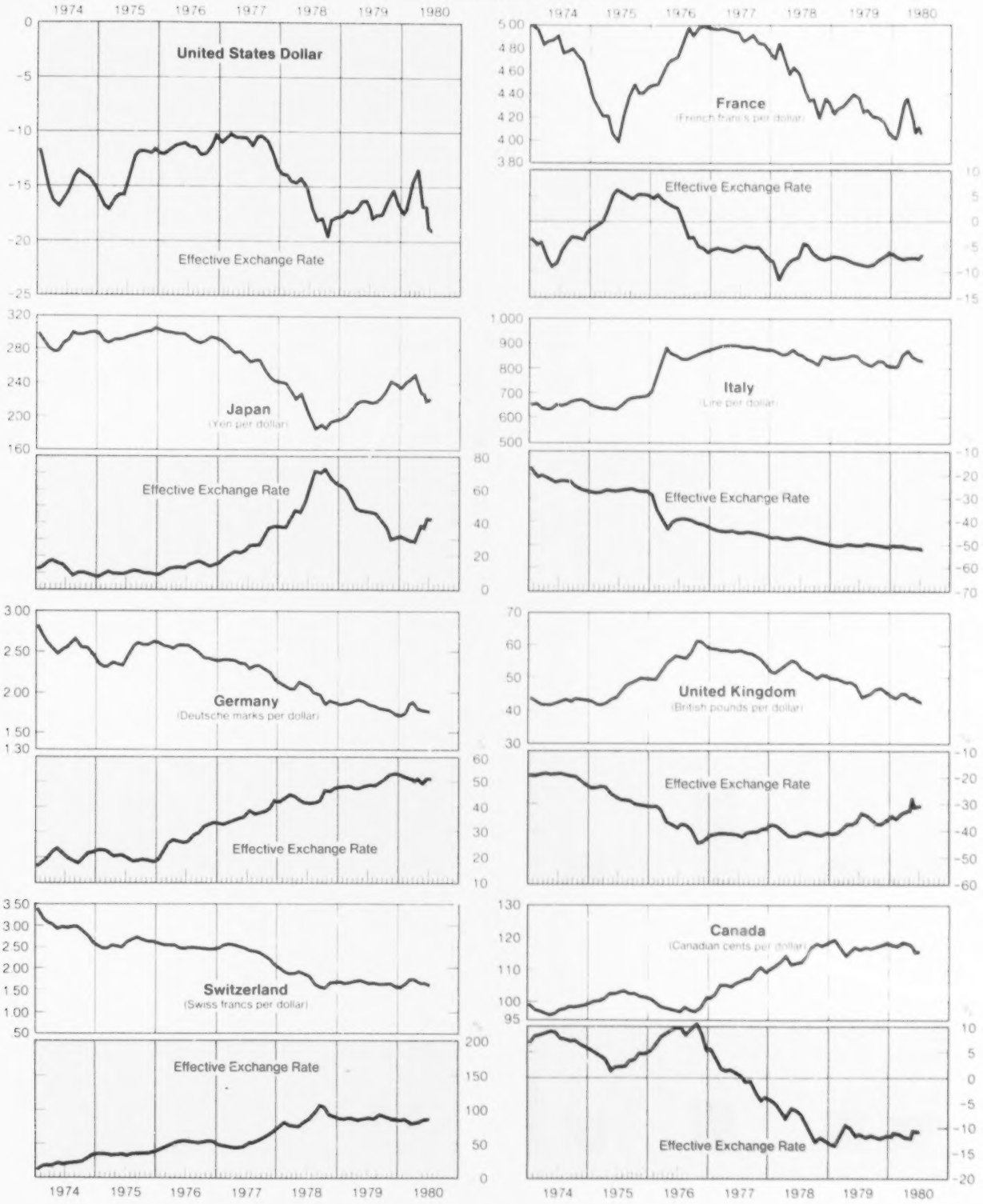


MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-à-vis a group of 15 major currencies weighted according to the average bilateral manufactures trade of 1976; changes are in percent from pre-June 1970 parities based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

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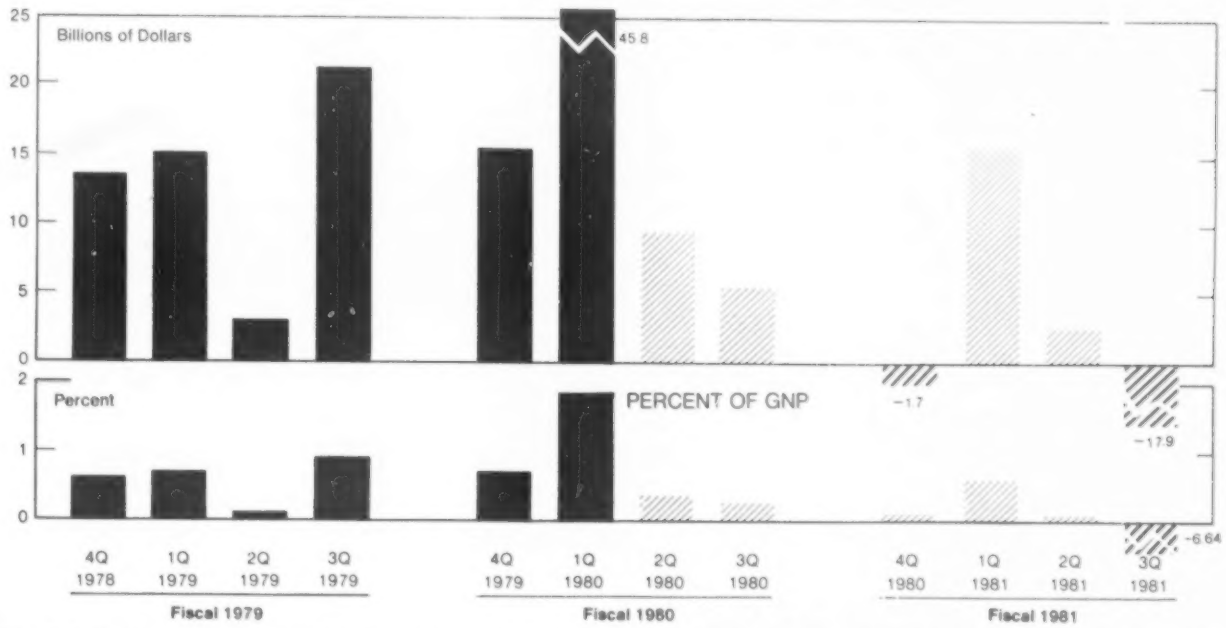
PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1980			Fiscal 1981		
	Current Services (1/22/79)	Latest President's Proposal (3/31/80)	Third Budget Resolution (6/12/80)	Current Services (1/28/80)	Latest President's Proposal (3/31/80)	First Budget Resolution (6/12/80)
Receipts	**$504.5**	**$532.4**	**525.7**	**579.0**	**628.0**	**613.8**
Outlays	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Deficit	**−31.6**	**−36.5**	**−47.0**	**−33.0**	**+ 16.5**	**+ 0.2**
Receipts by source	504.5	532.4	525.7	579.0	628.0	613.8
Individual income taxes	229.6	241.5	241.0	273.3	279.9	283.1
Corporate income taxes	71.0	74.2	71.4	74.7	74.1	67.6
Social insurance	161.2	163.5	163.5	186.0	188.9	189.9
Other receipts	42.7	53.2	49.8	45.0	85.1	74.2
Outlays by function	**536.1**	**568.9**	**572.5**	**612.0**	**611.5**	**613.6**
Income security	179.5	190.0	191.7	219.9	220.1	219.6
National defense	125.5	134.0	135.7	142.4	150.5	153.7
Health	55.1	56.5	56.5	63.4	61.9	61.7
Education and manpower	31.0	30.1	29.9	32.5	30.6	29.5
Veterans' benefits	20.4	20.7	20.5	21.7	21.4	21.2
Transportation	18.0	20.5	20.1	20.1	19.0	18.8
Natural resources and environment	11.8	12.8	13.6	12.8	12.5	12.1
Revenue sharing	9.2	8.8	8.6	8.5	7.4	6.8
International affairs	7.9	11.1	10.5	9.6	10.1	9.5
Community development	7.2	9.0	9.7	8.5	8.5	9.2
Energy	8.0	6.8	6.4	7.1	6.9	6.8
General science	5.4	5.9	5.9	6.3	6.2	6.1
General government	4.2	4.8	4.4	4.9	4.8	4.3
Justice	4.3	4.6	4.4	4.7	4.6	4.6
Agriculture	5.0	5.1	5.9	3.2	2.0	2.3
Commerce and housing credit	3.4	6.2	6.1	0.8	0.4	0.0
Interest	57.1	64.3	65.1	68.4	68.4	72.2
Allowances	2.1	—	0.0	2.4	1.4	0.0
Undistributed offsetting receipts	−19.0	−22.2	−22.3	−25.1	−24.9	−24.7

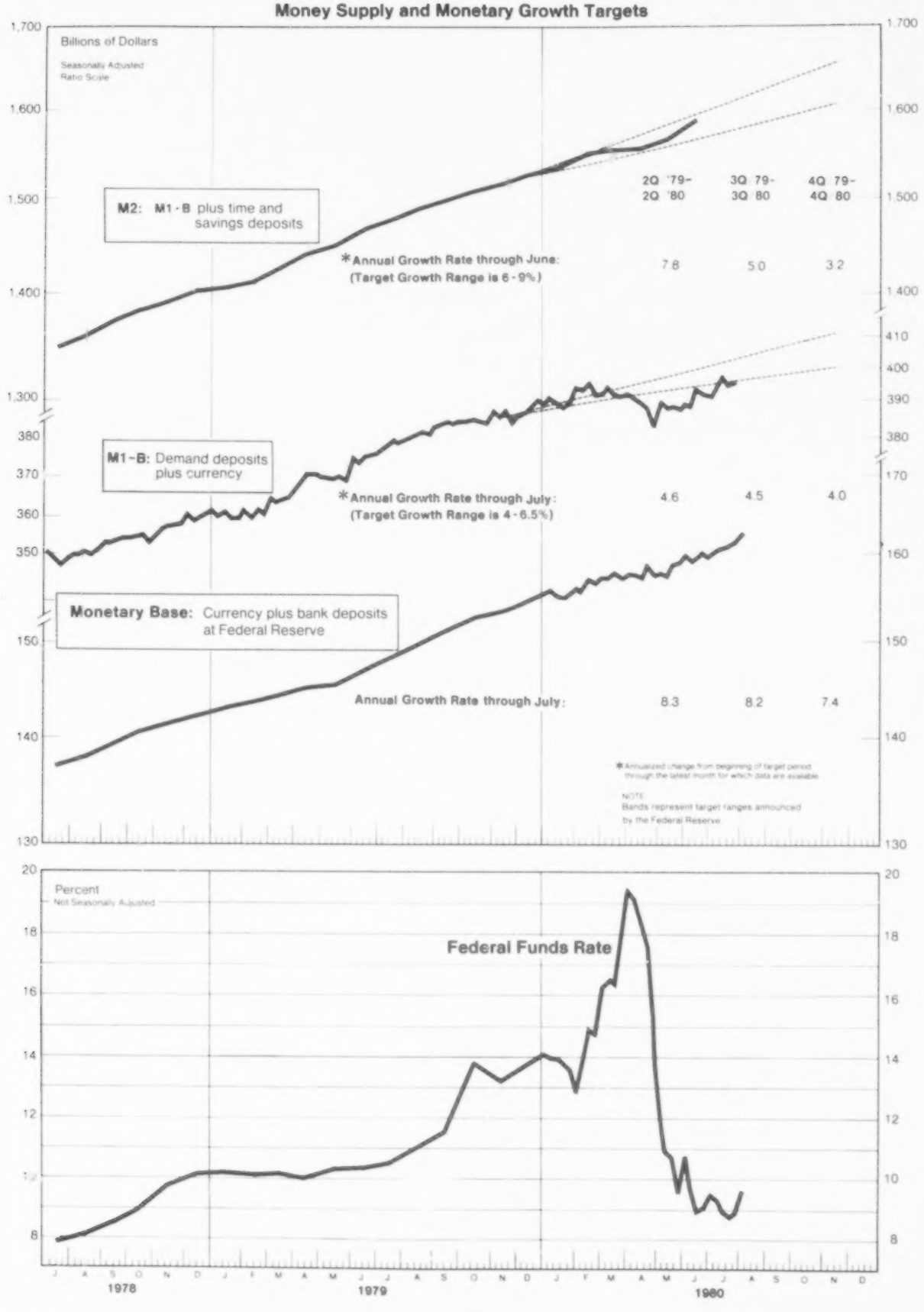
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy*, Fiscal 1977, No. 2, The Conference Board, New York, 1976.

Money Supply and Monetary Growth Targets



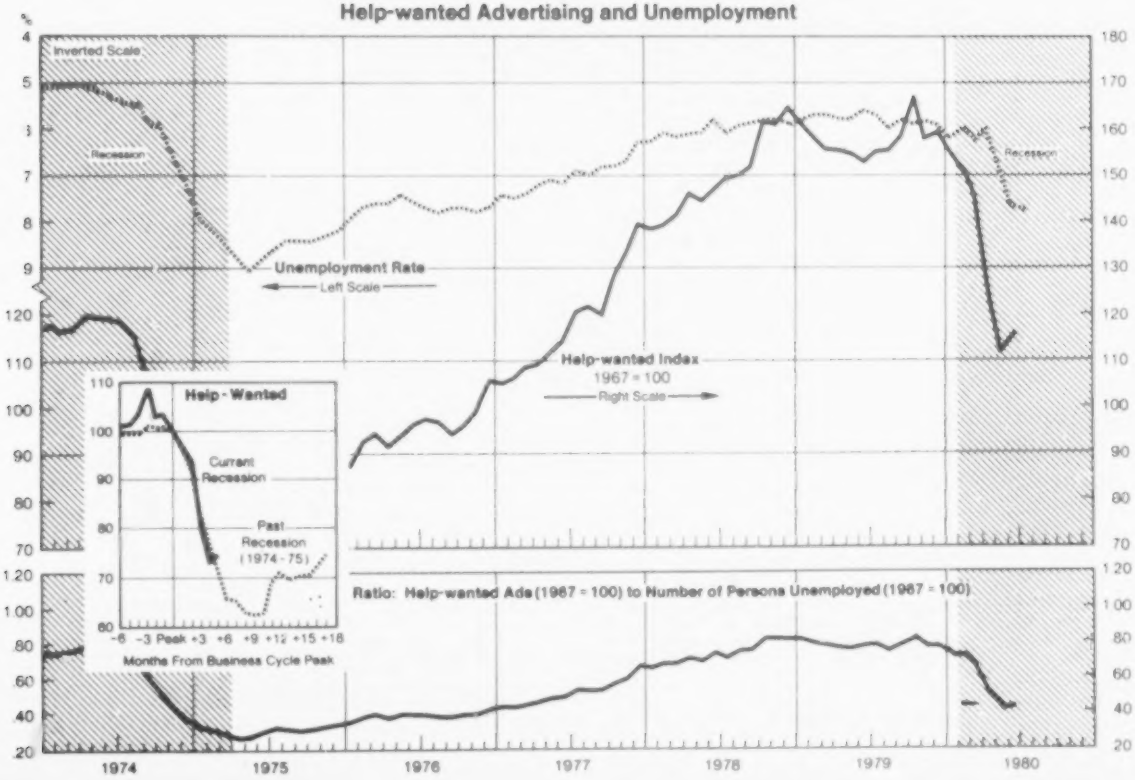
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1980			1979
	June	May	Apr.	June
Total Index 51 papers	115	112	122	153
New England	115	113	117	133
Boston	125	122	124	139
Hartford	125	130	139	143
Providence	74	69	76	105
Middle Atlantic	61	57	59	70
Albany	85	78	85	108
Allentown	110	100	134	162
New York	56	54	52	58
Philadelphia	57	49	53	65
Pittsburgh	69	71	77	95
Rochester	55	52	58	75
Syracuse	81	71	72	90
East North Central	70	69	78	122
Chicago	69	67	74	117
Cincinnati	108	100	118	169
Cleveland	64	61	75	121
Columbus	105	99	114	157
Dayton	67	64	69	103
Detroit	47	48	56	92
Gary	105	96	100	192
Indianapolis	78	85	92	146
Milwaukee	59	64	79	116
Toledo	86	88	102	141
West North Central	78	80	93	130
Kansas City	101	93	109	147
Minneapolis	80	87	107	150
Omaha	100	101	118	163
St. Louis	56	56	62	91
South Atlantic	127	117	129	156
Atlanta	182	170	193	230
Baltimore	88	74	83	109
Charlotte	104	96	112	133
Jacksonville	117	113	118	136
Miami	129	132	150	163
Richmond	87	83	87	114
Washington, D.C.	133	119	124	155
East South Central	110	106	122	164
Birmingham	125	119	124	179
Knoxville	175	183	194	200
Louisville	64	59	67	110
Memphis	104	102	104	138
Nashville	117	112	166	221
West South Central	248	240	253	287
Dallas	214	218	233	264
Houston	365	344	363	407
New Orleans	169	171	172	203
Oklahoma City	189	184	192	231
San Antonio	163	153	164	169
Tulsa	204	195	212	249
Mountain	242	236	260	372
Denver	206	184	221	316
Phoenix	287	270	298	409
Salt Lake City	250	289	281	430
Pacific	172	172	189	210
Los Angeles	154	148	167	180
Sacramento	233	239	254	320
San Bernardino	116	120	143	163
San Diego	274	265	294	351
San Francisco	174	182	187	200
Seattle	184	200	215	251
Percentage of papers with rising volume	65%	4%	4%	47%
Unemployment rate	7.7%	7.8%	7.0%	5.6%

Note: For definitions and method, see Noreen Preston, *The Help wanted Index* (New York: The Conference Board, 1977)
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



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CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1978	105.2	103.8	97.3	96.9	88.8	92.5	88.8	91.4	95.4	101.4	91.8	94.0
1979	91.7	91.4	84.9	82.2	80.8	78.5	70.0	69.0	78.2	83.6	83.0	80.8
1980	79.1	76.4	71.5	52.9	42.1	48.6r	58.1p					

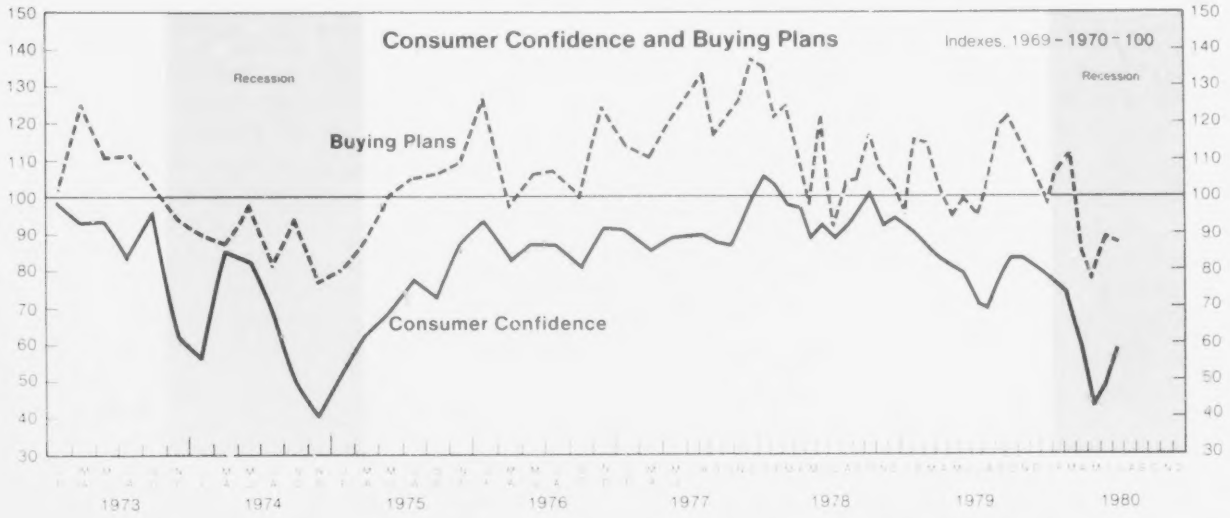
Buying Plans Index

1978	134.3	120.7	124.3	109.5	97.1	121.7	91.2	104.0	104.2	116.9	106.4	103.1
1979	95.1	115.4	114.4	100.6	95.4	99.6	94.6	101.7	119.4	121.9	113.4	107.2
1980	99.2	107.0	116.4	85.3	76.2	89.9p	87.3					

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Dollars; Quarterly Data are Seasonally Adjusted at Annual Rates

		Aggregate Purchasing Power	Discretionary Purchasing Power	Discretionary Saving	Discretionary Spending	Discretionary Purchasing Power as % of Aggregate	Discretionary Spending as % of Aggregate	Discretionary Spending as % of Discretionary Purchasing Power
1975	I	$1075.2	$399.5	$ 67.5	$332.0	37.2%	30.9%	83.1%
	II	1155.6	469.7	125.2	344.5	40.6	29.8	73.3
	III	1160.5	453.4	125.8	327.6	39.1	28.2	72.3
	IV	1220.9	485.4	118.8	366.6	39.8	30.0	75.5
1976	I	1258.3	499.9	133.5	366.4	39.7	29.1	73.3
	II	1288.1	507.0	120.3	386.7	39.4	30.0	76.3
	III	1308.4	514.5	125.5	389.0	39.3	29.7	75.6
	IV	1343.4	533.7	118.2	415.5	39.7	30.9	77.9
1977	I	1394.3	560.4	139.4	421.0	40.2	30.2	75.1
	IIr	1432.2	583.3	143.2	440.1	40.7	30.7	75.4
	IIIr	1520.5	602.0	171.0	431.0	39.6	28.3	71.6
	IVr	1526.1	624.9	146.1	478.8	40.9	31.4	76.6
1978	Ir	1559.9	648.3	141.4	506.9	41.6	32.5	78.2
	IIr	1633.1	680.8	176.8	504.0	41.7	30.9	74.0
	IIIr	1672.4	693.1	184.2	508.9	41.4	30.4	73.4
	IVr	1701.4	690.9	150.3	540.6	40.6	31.8	78.2
1979	Ip	1746.1	712.2	149.5	562.7	40.8	32.2	79.0

Note: For an explanation of discretionary purchasing power and spending, see Morton Ehrlich, *Discretionary Spending*, (The Conference Board, 1966).

P—Preliminary R—Revised

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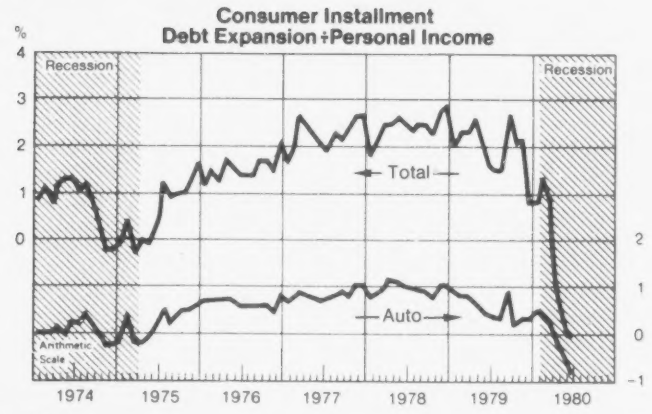
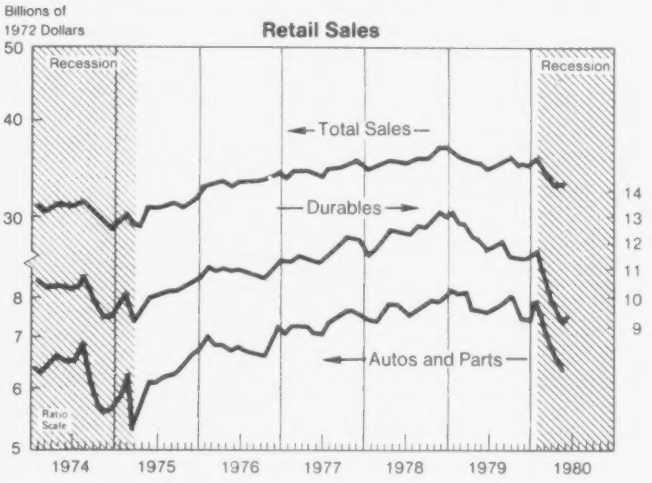


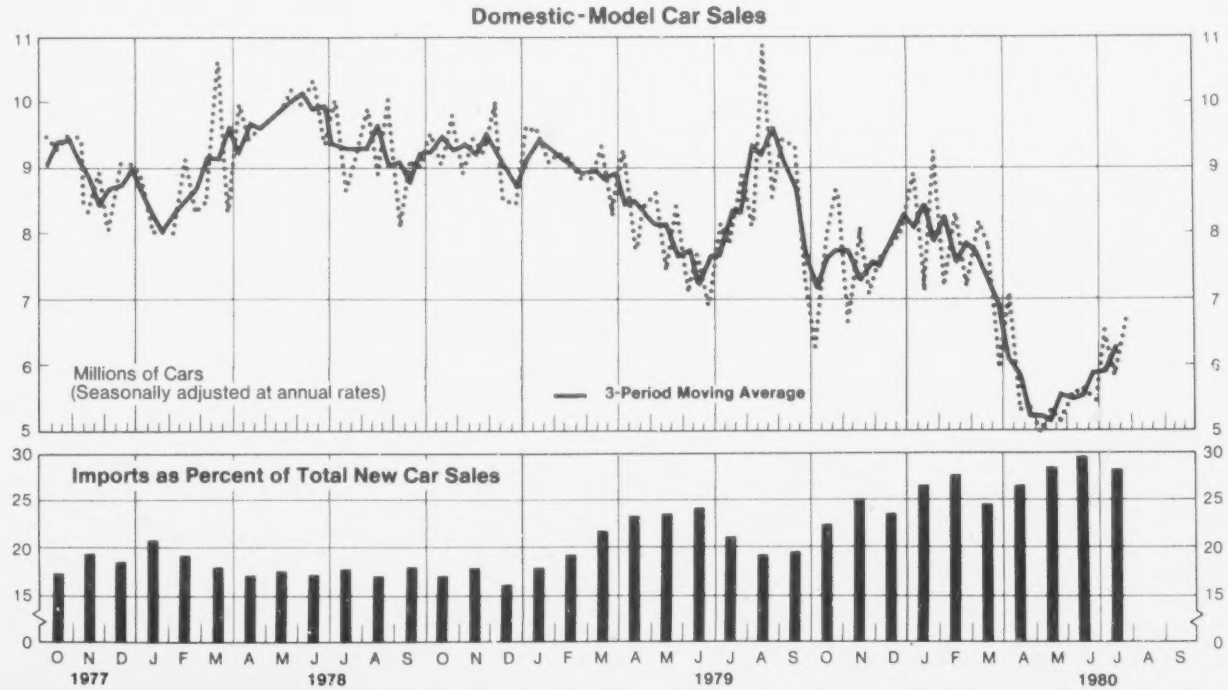


CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1977	1978	1979	1980
January:	1-10	9.25	8.86	9.60	8.97
	11-20	9.51	8.03	9.55	7.19
	21-31	8.68	8.03	9.11	9.23
February:	1-10	9.83	8.00	9.20	7.28
	11-20	8.20	9.15	9.13	8.28
	21-28(29)	9.10	8.35	8.82	7.20
March:	1-10	9.86	8.49	8.83	8.11
	11-20	7.81	10.62	9.32	7.84
	21-31	9.69	8.32	8.29	5.98
April:	1-10	7.88	9.96	9.28	7.05
	11-20	9.25	9.44	7.79	5.27
	21-30	9.00	9.64	8.48	5.38
May:	1-10	9.21	9.72	8.52	4.95
	11-20	8.84	9.85	7.41	5.28
	21-31	9.04	10.22	8.42	5.15
June:	1-10	9.75	9.94	6.98	5.57
	11-20	9.31	10.38	7.59	5.60
	21-30	9.60	9.36	6.83	5.41
July:	1-10	9.25	10.04	8.16	6.54
	11-20	8.30	8.69	7.87	5.67
	21-31	9.18	9.15	8.94	6.71
August:	1-10	9.26	9.89	8.17	
	11-20	9.38	8.89	10.88	
	21-31	9.62	10.07	8.57	
September:	1-10	9.60	8.14	9.44	
	11-20	9.14	9.07	9.34	
	21-30	8.31	9.02	7.26	
October:	1-10	9.45	9.57	6.24	
	11-20	9.31	9.08	8.04	
	21-31	9.50	9.82	8.64	
November:	1-10	9.46	8.92	6.65	
	11-20	8.34	9.44	8.07	
	21-30	8.91	9.24	7.08	
December:	1-10	8.06	10.00	7.63	
	11-20	9.07	8.57	7.83	
	21-31	9.07	8.41	8.06	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.



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